

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Zeeland	County Ottawa
Fiscal Year End 6-30-06	Opinion Date 10-6-06	Date Audit Report Submitted to State 11-27-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Kiekover, Scholma & Shumaker, PC		Telephone Number 616-772-4615	
Street Address 205 East Main Street		City Zeeland	State MI
Zip 49464			
Authorizing CPA Signature 	Printed Name Emil Sabolish, Jr.	License Number 9304	



City of Zeeland, Michigan

Comprehensive Annual Financial Report

For The Year Ended June 30, 2006

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
CITY OF ZEELAND, MICHIGAN
For the Fiscal Year Ended June 30, 2006

CITY COUNCIL

Lester Hoogland – Mayor

Sally Gruppen

Kevin Klynstra

Allen Dannenberg

Jim Broersma

Richard VanDorp III

Sheri Holstege

PREPARED BY
CITY OF ZEELAND FINANCE DEPARTMENT

City of Zeeland, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2006

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City of Zeeland, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2006

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INTRODUCTORY SECTION

City of Zeeland

21 South Elm Street
Zeeland, Michigan 49464

(616) 772-0871
FAX (616) 772-0891

November 13, 2006

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Zeeland:

The City Charter and State law require that the City publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Zeeland for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of the City of Zeeland. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Zeeland has established a comprehensive internal control framework that is designed both to protect the city's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Zeeland's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Zeeland's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Zeeland's financial statements have been audited by Kiekover, Scholma & Shumaker, PC, an independent firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Zeeland for the fiscal year ended June 30, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Zeeland's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. An unqualified opinion is the best opinion that an organization can receive on its financial statements. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and an analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Zeeland's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Zeeland, incorporated in 1907, is located in western Michigan, approximately 25 miles west of Grand Rapids. The population of Zeeland is 5,805 within the city's three square miles. Many more persons reside in numerous new housing developments surrounding the city, and the city is an employment center with many world-class manufacturing facilities within its borders. The strong work ethic is evident in the quality work force in the area, and pride is apparent in the upkeep of homes and businesses. The city is empowered to levy a property tax on both real and personal property located within its boundaries.

The city operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the City Council, which consists of a mayor and six-member council. The City Council is responsible, among other things, for setting policies, approving ordinances, adopting the budget, appointing committees and hiring the city manager. The city manager and department heads are responsible for carrying out the policies and ordinances of the governing council. The mayor and council members are elected at large. Council members are elected to four-year staggered terms with three council members elected every two years. The mayor is elected every two years to a two year term.

The City of Zeeland provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; recreational activities and cultural events; public improvements; planning; zoning and general administrative services. The Board of Public Works, which entails the Electric Utility Fund and Water Utility Fund is not a legally separate component unit, but is reported separately from governmental activities. These business-type activities are reported separately because they rely to a significant extent on fees and charges for support, whereas the governmental activities are normally supported by taxes and intergovernmental revenues. The City Council appoints its five member board and approves rates for user charges, their budget and any bond issuance authorizations. The legal liability for any general bonded debt remains with the city. The Electric Utility and Water Utility Funds are presented as a proprietary fund type. The Clean Water Utility Fund is directly controlled by the City Council and does not fall under the Board of Public Works. It is also reported as a proprietary fund type and combined under business-type activities. The Zeeland Building Authority is a blended component unit. Although a legally separate entity, it is in substance, part of the City's operations and is included as an integral part of the City of Zeeland's financial statements.

The City maintains budgetary controls. An annual budget is adopted in accordance with the legal requirements set forth in the Uniform Budgeting Act, State of Michigan P.A. 621 of 1978

as well as the City Charter. The annual budget serves as the foundation for the City of Zeeland's financial planning and control. All departments of the City of Zeeland are required to submit requests for appropriations to the city manager. These requests form the basis for the development of a proposed budget. On or before March 31, the proposed budget is presented by the city manager to the City Council for review. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than their first regular meeting in May. The budget is prepared by fund, function, activity (i.e. assessor, police patrol) and line item level. The budget is appropriated at the activity level. Expenditures may not legally exceed budget appropriations at the activity level within the fund, department and activity. Department heads may adjust line items within the activity; however, only the City Council has the authority to amend the total activity budget. Transfers of appropriations between activities require approval of the City Council. Unexpended amounts lapse at year end; however, funding for committed capital projects is generally reappropriated as part of the following year's budget. Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. The General Fund, Major Street Fund, and Local Street Fund can be found on pages 29-32 as part of the required supplementary information for the governmental funds. For other governmental funds this comparison can be found on pages 38-47.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Zeeland operates.

Local Economy. The city is an industrial and commercial oriented community serving as a principal business, marketing and cultural center for the surrounding suburban and agricultural area. Industrial and commercial valuations comprise 65% of the city's ad valorem tax base of \$265,227,800. Additional tax base is provided from the industrial facilities tax on property valued at \$286,867,600 and levied at one-half the regular property tax rate. Zeeland's industrial composition is well diversified, with some 50 industries located within the corporate limits employing in excess of 10,000 persons. Included are such well-known corporations as Herman Miller, Inc., an international leader in the manufacturing of office systems furniture; Howard Miller Clock Company, one of the largest producers of grandfather clocks in the world; Gentex Corporation, a manufacturer of smoke detectors, alarm systems and automatic dimming mirrors for the auto and aerospace industry; Mead Johnson & Company (Bristol-Myers), a large producer of nutritional infant formula; ITW Drawform, a stamping operation; Zeeland Chemicals, a large manufacturer of chemicals, and Mirant Zeeland, LLC an electric generating plant with a 540-megawatt combined cycle turbine facility.

Unemployment in the area has decreased every year since 2003 and is expected to decrease still further in the years ahead. During 2005-06 industrial and corporate expansions resulted in creation of over 500 new jobs within the City of Zeeland.

Long-Term Financial Planning. The City's long-term financial health remains strong. The undesignated fund balance in the general fund (44% of general fund expenditures) is above the

City's targeted level of 25%. This healthy fund balance is particularly noteworthy given many city and villages throughout the State of Michigan continue to struggle along with the State's economy. In the near term, the City expects to use a small amount of this fund balance on capital projects, thus decreasing the percentage of General Fund fund balance to 39% of budgeted expenditures for Fiscal Year 2006-2007.

In fiscal year 2005/2006 the City issued \$2.1 million in general obligation limited tax bonds for the construction of a new street maintenance facility. The debt service will be paid without increasing City millage. The City's tax rate will also continue to be lower than fourteen out of sixteen similar sized communities surveyed in the West Michigan area. Upon the completion of the street maintenance facility, the City does not expect to construct any new public facilities that support operational departments of the City for the foreseeable future.

Relevant Financial Policies. The City continues to set a goal of maintaining a minimum General Fund balance of 25% of operating expenditures, including transfers to other funds. This healthy level is a means of preparing for any unforeseen economic downturns. For the foreseeable future, the City will be able to maintain its targeted 25% fund balance within the General Fund.

While uncertainty in the State economy continues, the City has frozen its budgeted amount of State Shared Revenue to the amount received in the prior year.

Major Initiatives. In the spring of 2006 City Council undertook a 5-10 year visioning process to set a defined course of action for the City to pursue. The mission of the City remains People-Product-Progress reflecting the attributes upon which the City has built its excellent reputation and which make the City great. Specific components of the vision include a vital downtown, strong neighborhoods, healthy economy, excellent city services, strength in diversity, and great education. As we look to develop capital projects and consider other projects and programs, we as leaders will constantly evaluate if the project or program helps bring us closer to realizing the vision. To bring us closer to realizing our vision, major initiatives in the works are:

The City continues to reinvest in our City infrastructure so that we can continue to provide excellent city services, develop a healthy economy and create strong neighborhoods. In Fiscal Year '06-'07 the City is completely reconstructing Lee, Franklin and Maple Streets. Maple Street is an important artery as it is one of the gateways into the City's Downtown corridor. In our effort to help build our vision of a vital downtown the City will continue its strategy of installing historic lighting with this project in order to differentiate the streets that lead to our downtown area.

To further our efforts of having a vital downtown and healthy economy the City held a historic vote this fall in which the citizens of Zeeland removed the ban on alcohol sales. This community driven effort by a local group of business people is seen as a means of spurring economic development in the downtown area. Hopefully, it will act as a catalyst to attract different styles of restaurants and increase walking traffic that will entice more unique retailers to open shops in the downtown area. Overall the City feels the ability to have a vital downtown will compliment our already strong industrial park (expansions in the past year include Gentex, Plascore, ODL

and Environ and the attraction of Direct Sourcing Alliance), strong work force, excellent neighborhoods, award winning school system, faith based community, and recreational opportunities to create a community that offers everything needed for a quality of life second to none.

To help “spread the word” of the many outstanding attributes within the City of Zeeland, we are also embarking on the development of a city-wide marketing campaign. The marketing campaign will bring the City of Zeeland to the forefront in the minds of several different target groups. These groups include retailers looking to open a new location or business, shoppers that are looking to purchases goods and services, industrial companies looking to locate in the west Michigan area and people looking to find a community where they can be proud to say they call Zeeland home.

Efforts are underway to help stabilize our strong neighborhoods through the implementation of a rental inspection program. Consideration is also being given to the establishment of a housing improvement program. The rental inspection program will ensure that rental units throughout the City of Zeeland offer a quality choice for citizens that do not wish to own their own home. The housing improvement program being considered is a low-interest loan program that will enable those with income levels below a certain threshold the means to make needed improvements and maintain the value of the home they own.

Cash Management Policies and Practices. The City of Zeeland’s policy is to invest its funds in a manner that will provide the highest investment return with the maximum security, while meeting the daily cash flow needs of the City and complying with all state statutes governing the investment of public funds. Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S Treasury and government agency obligations. The maturity of most investments was 5 years or less. Investment income includes appreciation or depreciation in the fair value of investments during the year. These increases or decreases in fair value during the current year, however, do not necessarily represent trends that will continue, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

The average yield on the City’s investments for the year ended June 30, 2006 amounted to 5. 6% (5.9% before any adjustment for changes in fair value). The average yield for the City’s defined benefit pension trust was 6.8%. The pension trust outperforms the City’s investments due to differences in investment regulations. Under Public Act 20 of the Michigan Compiled Laws, cities may only invest in certificates of deposit, commercial paper of investment grade and government agencies pools and obligations while the pension trusts may invest in a wider variety of investments including stocks and bonds as well as government agencies obligations.

Risk Management. The city carries full multi-peril insurance coverage underwritten by the Michigan Municipal League Liability and Property Pool. Insurance coverage includes comprehensive general liability, bodily injury and property damage, limited liability public official’s errors and omissions, and comprehensive automobile. The city is fully insured for workers compensation claims by coverage underwritten by the Michigan Municipal Workers Compensation Fund. In addition, the Electric Utility and Water Utility Funds carry commercial

insurance coverage for general liability and property loss. Risk control techniques include the use of third party claims review and investigation, third party loss control services, and employee education and training programs.

The City accounts for its health care self insurance program in an Internal Service Fund and charges out to other funds their respective share of health care self insurance costs. To protect against the financial effects of a catastrophic loss, reinsurance for the self-insured health care risk is purchased to limit City liability to \$30,000 per person per year. As with the coverage above, risk control techniques include the use of third party claims review and investigation, third party loss control services, and employee education and training programs.

The City's short-term disability risk is fully self-insured and self-administered. Long-term disability is purchased and administered by a third party.

Additional information on the City of Zeeland's risk-management activity can be found in Note 4A of the notes to financial statements.

Pension and Other Post-Employment Benefits. The city maintains two pension plans. The defined contribution plan was established July 1, 2000 and covers eligible employees hired after July 1, 2000 and employees hired prior to July 1, 2000 who elected to have their balances transferred from the city's defined benefit plan. The city contributes 8% of covered compensation for participants who were employed by the city before July 1, 2000 and 6% of covered compensation for participants employed after July 1, 2000. The city contributions to the plan were \$164,058 for the fiscal year.

The defined benefit pension plan is a single-employer plan administered by the city. Each year, an independent actuary calculates the amount of the annual contribution that the City of Zeeland must make to the defined benefit plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, each year the city fully funds each year's contribution as determined by the actuary. The city contributions to the plan were \$254,078 and employees contributed \$4,098.

The City of Zeeland also provides postretirement health care benefits for retirees and their spouses. From retirement age to the age of 62, the retiree pays 100% of the health care costs for the spouse. The retiree and the spouse are included in City's self-funded insurance plan including prescription coverage. From the age of 62 to 65 the City pays 100% of the retirees' portion and 50% of the spouses. At age 65 the retiree is not eligible for inclusion in the City's health insurance plan, but the City will pay 100% of the retiree's insurance premium and 50% for the spouse. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these costs.

Additional information on the City of Zeeland's pension arrangements and postemployment benefits can be found in Notes 4C-E of the notes to financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Zeeland for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of State and local government financial reports.

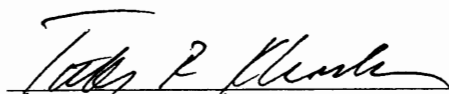
In order to be awarded a Certificate of Achievement, the city published an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. This report satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. The City of Zeeland has achieved a Certificate of Achievement for the last eighteen consecutive years. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

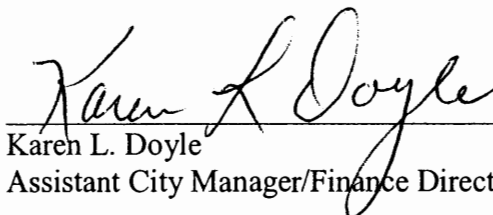
In 2006 the Michigan Municipal League recognized the City of Zeeland for its efforts to help a local industry, the Gentex Corporation, expand within the City limits rather than moving to another state or another community in Michigan. This \$36 million private investment was largely funded with the help of funds from the Community Development Block Grant Program (\$1.4 million) and Michigan Department of Transportation EDF funds (\$624,000). The City and Board of Public Works also contributed a combined \$388,000 to complete the infrastructure work necessary to support this 325,000 square feet complex. This project will create over 600 new jobs and an overall estimated investment of \$100+ million over the next five years.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would also like to express our appreciation to all the employees of the city who assisted and contributed to this report. Credit must also be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Zeeland's finances.

Respectfully submitted,



Timothy R. Klunder
City Manager



Karen L. Doyle
Assistant City Manager/Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Zeeland,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



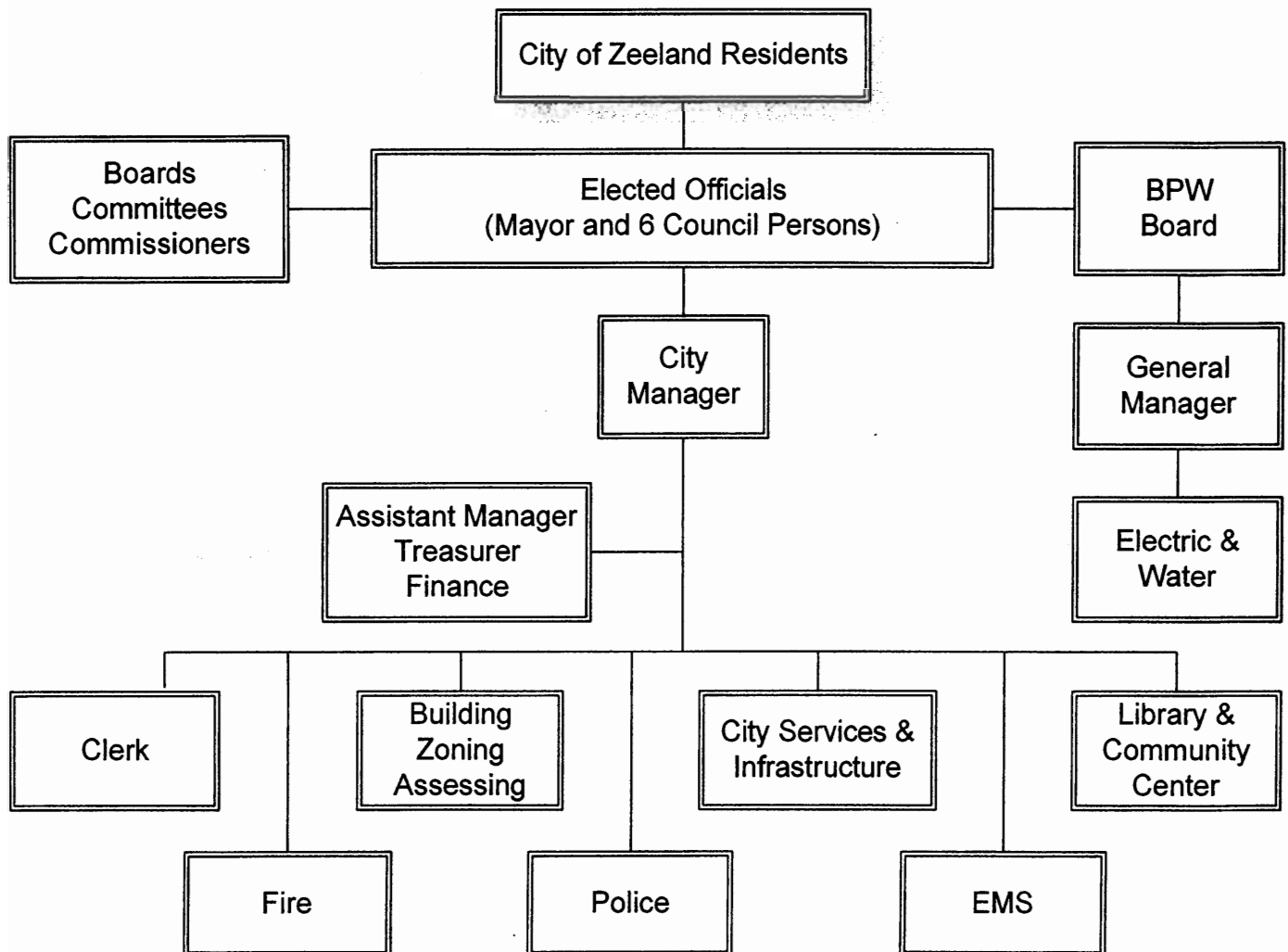
Carla E. Perry

President

Jeffrey R. Emery

Executive Director

City of Zeeland, Michigan Organizational Chart



City of Zeeland, Michigan
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2006

CITY COUNCIL

Mayor	Lester Hoogland
Mayor Pro Tem	Sally Gruppen
Councilman	Kevin Klynstra
Councilman	Allen Dannenberg
Councilman	Jim Broersma
Councilman	Richard VanDorp III
Councilwoman	Sheri Holstege

ADMINISTRATION

City Manager	Timothy R. Klunder
Board of Public Works General Manager	David Walters
Finance Director	Karen L. Doyle
City Infrastructure Services Director	Steve Hallock
City Assessor/Building Official	Arthur D. Grimes
City Attorney	James Donkersloot
City Clerk	Nancy Tuls
Emergency Services Director	Ted Vanden Brink
Fire Chief	William Gruppen
Police Chief	William Olney
Library and Community Services Director	Dennis Martin

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

October 6, 2006

Honorable Mayor and
Members of City Council
City of Zeeland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Zeeland, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Zeeland, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Zeeland, Michigan, as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages XII through XXII and 29 through 33, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Zeeland, Michigan basic financial statements. The introductory section, combining nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kiekoever, Scholma & Shumaker, PC

Management's Discussion and Analysis

As management of the City of Zeeland, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I-VII of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$88,086,782 (*net assets*). Of this amount, \$30,973,555 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$6,159,677. This increase was due in part to conservative budgetary policies. In the governmental activities, program revenue decreased due to lower Community Development Block and other grants, awarded to defray the costs of public infrastructure accommodating new industry. General revenues increased due to higher interest earnings and gains on sales of capital assets. Expenses were less than revenues by \$1,586,581. In the business-type activities charges for services increased by \$3,173,855 and expenses were less than revenues by \$4,573,096.
- As of the close of the current fiscal year, the City of Zeeland's governmental funds reported combined ending fund balances of \$6,958,064, an increase of \$2,167,702 in comparison with the prior year. A significant portion (\$1,770,206) of the increase is due to unspent proceeds from the \$2,100,000 2006 Capital Improvement Bonds Issue. Approximately 60% of the fund balance, \$4,161,096, is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$2,227,120 or 44% of total general fund expenditures and transfers out.
- The City's total debt increased by \$1,045,000 to a total of \$18,200,000 during the current fiscal year. This was a result of the City making its required scheduled debt service payments of \$1,165,000 and incurring \$2,210,000 in new debt obligations as a result of issuing \$2,100,000 in 2006 Capital Improvement Bonds and \$110,000 as a result of bond refunding activities..

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Zeeland is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the City include electric, water and clean water operations.

The government-wide financial statements can be found on pages 1-3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains nineteen (19) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Major Streets, and Local Streets Funds. Each of these funds is considered to be a major fund. The City of Zeeland has sixteen (16) nonmajor funds. These include special revenue funds, debt service funds, capital projects funds and one permanent fund. The permanent fund is used to record the activity of the Cemetery Trust. Data from the other sixteen governmental funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General, Major Streets and Local Streets Funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 4-6 of this report.

Proprietary funds. The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric, water and clean water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its vehicle and equipment maintenance activities, building maintenance activities and health-care self-insurance. Because these services predominantly benefit governmental rather than business-type functions, the assets and liabilities of the internal service funds have been included within *governmental activities* in the government-wide statement of net assets.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, and Clean Water Utility Funds, all of which are considered to be major funds of the City. Conversely, the internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 7-9 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds. The City accounts for two types of fiduciary funds – pension trust funds and agency funds.

The City of Zeeland's pension trust fund accounts for the activities of the City's defined benefit pension plan for eligible employees. In addition, the City maintains two agency funds to account for tax collections and related payments as well as refundable customer deposits.

The basic fiduciary fund financial statements can be found on pages 10-11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-28 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting the City of Zeeland's budgetary comparison schedules for its three major funds – General Fund, Major Street Fund and Local Street Fund. Required supplementary information can be found on pages 29-33 of this report.

The combining statements referred to earlier in connection with the nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining statements and individual nonmajor governmental fund budgetary comparison schedules can be found on pages 34-47 of this report.

Immediately following the combining statements is a statistical section which provides certain information pertaining to general government revenues, expenditures, tax revenues and collections, demographics and other statistical data.

Government-wide Financial Analysis

Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Zeeland, assets exceeded liabilities by \$88,086,782 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (61.9%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Zeeland's Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 9,605,102	\$ 7,165,577	\$ 28,958,155	\$ 30,575,601	\$ 38,563,257	\$ 37,741,178
Capital assets	20,815,849	19,712,135	50,140,065	45,291,005	70,955,914	65,003,140
Total assets	30,420,951	26,877,712	79,098,220	75,866,606	109,519,171	102,744,318
Long-term debt outstanding	4,775,000	2,915,000	13,425,000	14,240,000	18,200,000	17,155,000
Other liabilities	621,226	524,568	2,611,163	3,137,645	3,232,389	3,662,213
Total liabilities	5,396,226	3,439,568	16,036,163	17,377,645	21,432,389	20,817,213
Net assets:						
Invested in capital assets,						
net of related debt	17,811,055	16,797,135	36,715,065	31,051,005	54,526,120	47,848,140
Restricted	1,019,607	1,205,899	1,567,500	1,649,895	2,587,107	2,855,794
Unrestricted	6,194,063	5,435,110	24,779,492	25,788,061	30,973,555	31,223,171
Total net assets	\$ 25,024,725	\$ 23,438,144	\$ 63,062,057	\$ 58,488,961	\$ 88,086,782	\$ 81,927,105

An additional portion of the City's net assets (2.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (35.2%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Change in Net Assets - The City of Zeeland's net assets increased by \$6,159,677 during the current fiscal year. 26% of this increase is related to the governmental activities. The other 74% is associated with the business-type activities.

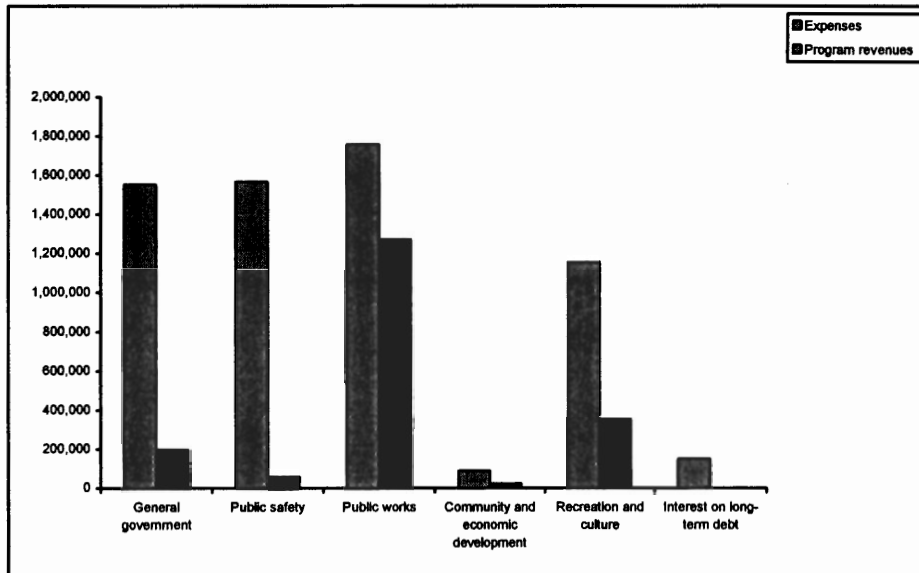
City of Zeeland's Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Program revenues						
Charges for services	\$ 362,026	\$ 407,925	\$ 25,013,183	\$ 21,839,328	\$ 25,375,209	\$ 22,247,253
Operating grants and contributions	706,947	668,186	-	-	706,947	668,186
Capital grants and contributions	835,413	1,153,192	287,971	530,834	1,123,384	1,684,026
General revenues						
Property taxes	4,387,708	4,295,400	-	-	4,387,708	4,295,400
State shared revenues	563,245	571,833	-	-	563,245	571,833
Interest	278,159	199,875	589,708	731,551	867,867	931,426
Gain on sale of capital assets	322,829	8,450	43,440	2,361	366,269	10,811
Other	22,249	27,742	60,062	52,950	82,311	80,692
Total revenues	7,478,576	7,332,603	25,994,364	23,157,024	33,472,940	30,489,627
Program expenses						
General government	1,551,802	1,464,461	-	-	1,551,802	1,464,461
Public safety	1,566,566	1,596,297	-	-	1,566,566	1,596,297
Public works	1,757,575	1,653,600	-	-	1,757,575	1,653,600
Community and economic development	87,883	69,799	-	-	87,883	69,799
Recreation and culture	1,156,064	979,687	-	-	1,156,064	979,687
Interest on long-term debt	149,395	122,436	-	-	149,395	122,436
Electric	-	-	17,218,625	15,525,207	17,218,625	15,525,207
Water	-	-	2,622,554	2,611,241	2,622,554	2,611,241
Clean water	-	-	1,235,589	1,154,119	1,235,589	1,154,119
Total expenses	6,269,285	5,886,280	21,076,768	19,290,567	27,346,053	25,176,847
Change before contributions and transfers	1,209,291	1,446,323	4,917,596	3,866,457	6,126,887	5,312,780
Contributions to permanent funds	32,790	45,875	-	-	32,790	45,875
Transfers in (out)	344,500	344,000	(344,500)	(344,000)	-	-
Change in Net Assets	\$ 1,586,581	\$ 1,836,198	\$ 4,573,096	\$ 3,522,457	\$ 6,159,677	\$ 5,358,655

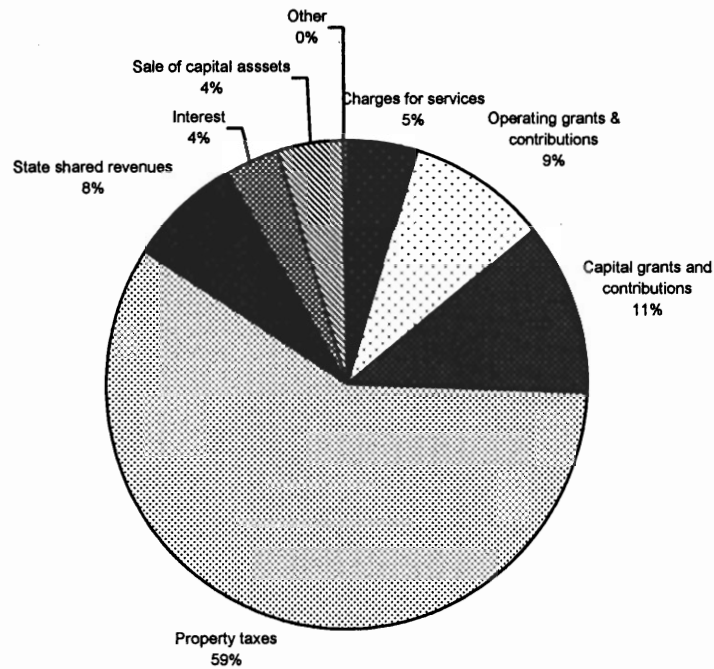
Governmental activities. Governmental activities increased the City's net assets by \$1,586,581, accounting for 26% of the total growth in the net assets of the City. Key elements of this increase are as follows:

- Capital grants and contributions decreased by \$317,779 over the prior year. The City aggressively sought and received State and Federal grants to help fund public infrastructure to accommodate industrial growth.
- Property tax revenue increased by \$92,308 (2.1%) from the prior year.
- Interest earnings increased by \$78,285 due to increased yields on investments
- Gains on sale of capital assets increased by \$314,379

Expenses and Program Revenues – Governmental Activities



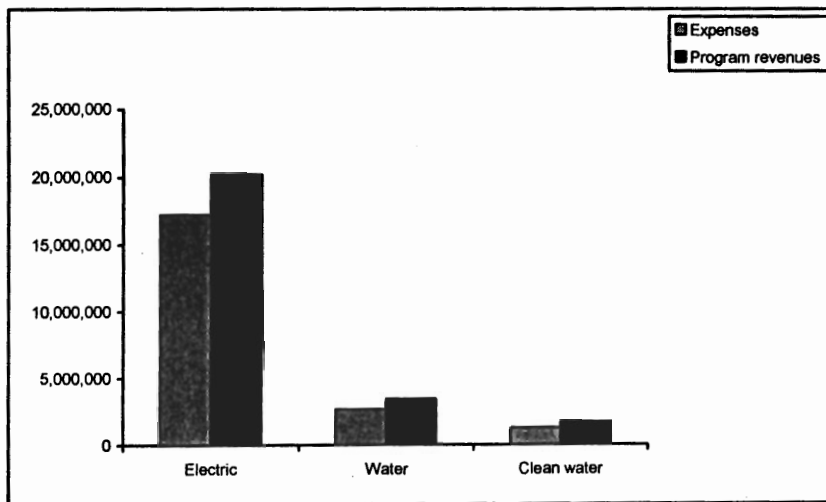
Revenues by Source – Governmental Activities



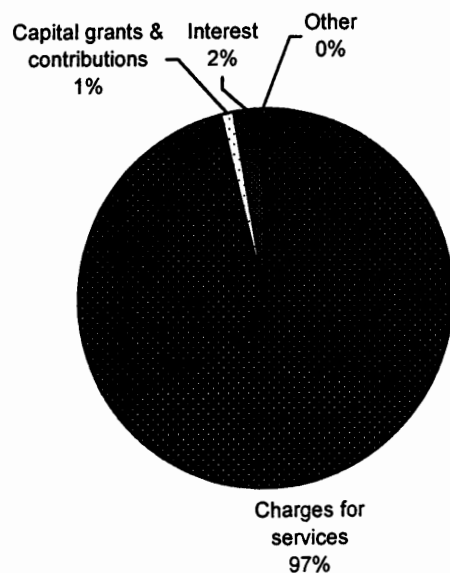
Business-type activities. Business-type activities increased the City of Zeeland's net assets by \$4,573,096, accounting for 74% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Charges for services increased by \$3,173,855, mostly within the Electric Utility Fund.
- Interest revenue decreased \$141,843 due to a decrease in fair-market value of City investments, as well as fewer total dollars available for investment purposes, offset somewhat by rising interest rates.
- Capital grants and contributions decreased by \$242,863 over the prior year.

Expenses and Program Revenues-Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,958,064, an increase of \$2,167,702 from the prior year. Approximately 60% of this amount (\$4,161,130) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed (1) for prepaid items that will be used in the following year (\$7,155), (2) to purposes related to the library (\$31,966), (3) to pay debt service (\$104,453), (4) for capital projects (\$1,770,206), and (4) for the maintenance of the City of Zeeland's cemetery (\$679,328 non-expendable and \$203,860 expendable).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year unreserved fund balance of the General Fund was \$2,227,120, while total fund balance was \$2,231,948. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance (\$2,227,120) represents 44% of total General Fund expenditures and transfers out (\$5,028,667).

The fund balance of the City's General Fund increased by \$411,891 during the current fiscal year compared to a decrease of \$2,723 in the prior year. Key factors to this increase are:

- Total revenues decreased by \$14,235 or .3%
- Tax revenues increased by \$67,199 or 1.6%
- Licenses and permits decreased by \$107,756 or 54.0%
- Interest and rents increased by \$48,510 or 44.4%
- Operating expenditures increased by \$26,971 or .8%
- While the City continues to aggressively improve its street and public places, transfers out to other funds decreased by \$467,200 or 21.3% over the prior year for a total of \$1,728,000

The Major Street Fund has a total fund balance of \$348,134, a decrease of \$114,519 during the year. Net transfers in from the General Fund decreased by \$101,000 from the prior year for a total of \$775,000.

The Local Street Fund has a fund balance of \$177,657, a decrease of \$93,513 during the year. Net transfers in from the General Fund decreased by \$96,133 from the prior year for a total of \$235,000.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements (business-type activities), but in more detail.

Unrestricted net assets of the Electric, Water and Clean Water Utility Funds at the end of the year amounted to \$16,626,737, \$3,364,629 and \$4,455,140, respectively. Increases in the Electric, Water, and Clean Water Utility Funds net assets during the current year were \$3,024,119, \$887,637 and \$519,999, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year there was a \$26,040 increase in appropriations between the original and final amended budgets. While several activity budgets were amended to take into accounts events during the year, there were no significant changes to individual budgeted expenditures during the year. City operational departments stayed below budget overall, resulting in total expenditures \$225,403 below the final budget.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounted to \$ 70,955,914 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, and street and sidewalks. The total increase in the City's investment in capital assets for the current fiscal year was \$1,103,714 (5.6%) for governmental activities and \$4,849,060 (10.7%) for business-type activities.

Major capital asset events during the current fiscal year included the following:

- \$202,000 cemetery expansion
- \$1,918,000 expended for street and sidewalk improvement projects
- \$309,000 for construction of street maintenance facilities
- \$792,000 for construction of Riley Street generation facility building)
- \$6,111,000 additions to Electric, Water, and Clean water systems (includes \$3,517,114 for Riley Street generation facility systems)

Additional information on the City's capital assets can be found in note 3C on pages 21-22 of this report.

City of Zeeland's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 1,342,815	\$ 1,340,600	\$ 1,196,413	\$ 895,038	\$ 2,539,228	\$ 2,235,638
Construction in progress	674,910	927,600	1,251,604	833,225	1,926,514	1,760,825
Land improvements	430,778	273,863	260,659	106,836	691,437	380,699
Buildings and improvements	6,694,423	6,975,316	3,086,278	2,419,226	9,780,701	9,394,542
Systems	-	-	44,006,132	40,733,614	44,006,132	40,733,614
Machinery, equipment, vehicles	1,839,410	1,932,891	338,979	303,066	2,178,389	2,235,957
Infrastructure	9,833,513	8,261,865	-	-	9,833,513	8,261,865
Total	<u>\$ 20,815,849</u>	<u>\$ 19,712,135</u>	<u>\$ 50,140,065</u>	<u>\$ 45,291,005</u>	<u>\$ 70,955,914</u>	<u>\$ 65,003,140</u>

Long-term debt. At the end of the current fiscal year, the City had total installment debt outstanding of \$18,200,000. Of this amount, \$4,775,000 comprises debt backed by the full faith and credit of the government (including \$80,000 of Michigan Transportation Bonds). The remainder of the City's debt represents bonds secured by specified revenue sources.

City of Zeeland's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 4,695,000	\$ 2,800,000	\$ -	\$ -	\$ 4,695,000	\$ 2,800,000
Michigan transportation bonds	80,000	115,000	-	-	80,000	115,000
Revenue bonds	-	-	13,425,000	14,240,000	13,425,000	14,240,000
Total	\$ 4,775,000	\$ 2,915,000	\$ 13,425,000	\$ 14,240,000	\$ 18,200,000	\$ 17,155,000

General obligation debt increased by a net amount of \$1,860,000 during the current year. This was a result of the City making its required scheduled debt payments of \$240,000 while incurring new debt totaling \$2,100,000.

Revenue bond debt decreased by a net of \$815,000 during the current year. This was a result of the City making its required scheduled debt service payments of \$925,000 while incurring new debt of \$110,000 as a result of refunding previously outstanding Water Utility bonds. This refunding is expected to reduce future debt service payments by approximately \$200,000.

State statutes limit the amount of general obligation debt the City may issue to 10 percent of the state equalized value of taxable property in the City. The current debt limitation for the City is \$55,209,540, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3E on pages 24-25 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2006-2007 fiscal year:

- The undesignated fund balance of \$2,227,120 in the general fund (39% of general fund expenditures) is above the City's targeted level of 25%. The City has budgeted to spend down \$134,245 of this fund balance for capital related improvements.
- During fiscal year 2006-2007 \$1,310,000 is budgeted for transfer from the General Fund to the Major and Local Street Funds to help pay for three street reconstruction projects plus annual mill and resurface maintenance projects.
- In fiscal year 2005-2006 the City issued \$2.1 million in general obligation limited tax bonds for the construction of a new street maintenance facility. The City increased its general operating tax levy by .1 mills to help fund the annual debt service. However, library debt millage decreased by .1 mill, leaving the overall millage the same. The City's tax rate continues to be lower than fourteen out of sixteen similar sized communities surveyed in the West Michigan area.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, 21 South Elm Street, Zeeland, MI 49464.

Basic Financial Statements

City of Zeeland, Michigan
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and investments	\$ 9,282,504	\$20,260,368	\$ 29,542,872
Receivables:			
Accounts	73,952	2,252,852	2,326,804
Interest	28,536	90,138	118,674
Due from other governments	471,440	69,745	541,185
Internal balances	(332,986)	332,986	-
Inventories	-	410,201	410,201
Prepaid items	81,656	3,974,365	4,056,021
Restricted cash - revenue bond covenant accounts	-	1,567,500	1,567,500
Capital assets not being depreciated:			
Land	1,342,815	1,196,413	2,539,228
Construction in progress	674,910	1,251,604	1,926,514
Capital assets net of accumulated depreciation			
Land improvements	430,778	260,659	691,437
Buildings and improvements	6,694,423	3,086,278	9,780,701
Systems	-	44,006,132	44,006,132
Machinery and equipment	1,839,410	338,979	2,178,389
Infrastructure	9,833,513	-	9,833,513
 Total Assets	 <u>30,420,951</u>	 <u>79,098,220</u>	 <u>109,519,171</u>
LIABILITIES			
Accounts payable	524,128	2,444,858	2,968,986
Accrued payroll	35,589	34,411	70,000
Accrued interest payable	61,509	131,894	193,403
Noncurrent liabilities:			
Due within one year	325,000	940,000	1,265,000
Due in more than one year	4,450,000	12,485,000	16,935,000
 Total Liabilities	 <u>5,396,226</u>	 <u>16,036,163</u>	 <u>21,432,389</u>
NET ASSETS			
Invested in capital assets, net of related debt	17,811,055	36,715,065	54,526,120
Restricted for:			
Library	31,966	-	31,966
Debt service	104,453	1,567,500	1,671,953
Perpetual care-nonexpendable	679,328	-	679,328
Perpetual care-expendable	203,860	-	203,860
Unrestricted	6,194,063	24,779,492	30,973,555
 Total Net Assets	 <u>\$25,024,725</u>	 <u>\$63,062,057</u>	 <u>\$ 88,086,782</u>

City of Zeeland, Michigan
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
Function/Programs:			Contributions	Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 1,551,802	\$ 199,318	\$ -	\$ -
Public safety	1,566,566	56,026	2,713	-
Public works	1,757,575	29,458	406,017	835,413
Community and economic development	87,883	22,150	-	-
Recreation and culture	1,156,064	55,074	298,217	-
Interest on long-term debt	149,395	-	-	-
Total Governmental Activities	6,269,285	362,026	706,947	835,413
Business-type activities:				
Electric	17,218,625	20,153,855	-	51,390
Water	2,622,554	3,254,846	-	155,028
Clean water	1,235,589	1,604,482	-	81,553
Total Business-type Activities	21,076,768	25,013,183	-	287,971
Total Primary Government	\$27,346,053	\$25,375,209	\$ 706,947	\$ 1,123,384

General revenues:
Property taxes
Unrestricted state shared revenue
Interest
Gain on sale of capital assets
Other
Contributions to permanent funds
Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

**Net (Expense) Revenue
and Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (1,352,484)	\$ -	\$ (1,352,484)
(1,507,827)	-	(1,507,827)
(486,687)	-	(486,687)
(65,733)	-	(65,733)
(802,773)	-	(802,773)
(149,395)	-	(149,395)
<u>(4,364,899)</u>	<u>-</u>	<u>(4,364,899)</u>
-	2,986,620	2,986,620
-	787,320	787,320
-	450,446	450,446
-	<u>4,224,386</u>	<u>4,224,386</u>
<u>(4,364,899)</u>	<u>4,224,386</u>	<u>(140,513)</u>
4,387,708	-	4,387,708
563,245	-	563,245
278,159	589,708	867,867
322,829	43,440	366,269
22,249	60,062	82,311
32,790	-	32,790
<u>344,500</u>	<u>(344,500)</u>	<u>-</u>
<u>5,951,480</u>	<u>348,710</u>	<u>6,300,190</u>
1,586,581	4,573,096	6,159,677
<u>23,438,144</u>	<u>58,488,961</u>	<u>81,927,105</u>
<u>\$25,024,725</u>	<u>\$63,062,057</u>	<u>\$ 88,086,782</u>

City of Zeeland, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General Fund	Major Street Fund	Local Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 2,178,548	\$ 304,843	\$ 180,152	\$ 4,212,176	\$ 6,875,719
Receivables:					
Accounts	20,421	321	-	53,000	73,742
Interest	6,707	-	359	14,168	21,234
Due from other governments	110,192	46,787	17,012	297,449	471,440
Prepaid items	<u>4,828</u>	<u>978</u>	<u>1,070</u>	<u>279</u>	<u>7,155</u>
 Total Assets	 <u>\$ 2,320,696</u>	 <u>\$ 352,929</u>	 <u>\$ 198,593</u>	 <u>\$ 4,577,072</u>	 <u>\$ 7,449,290</u>
LIABILITIES					
Accounts payable	\$ 67,089	\$ 2,523	\$ 18,324	\$ 370,593	\$ 458,529
Accrued payroll	<u>21,659</u>	<u>2,272</u>	<u>2,612</u>	<u>6,154</u>	<u>32,697</u>
 Total Liabilities	 <u>88,748</u>	 <u>4,795</u>	 <u>20,936</u>	 <u>376,747</u>	 <u>491,226</u>
FUND BALANCES					
Reserved:					
Prepaid items	4,828	978	1,070	279	7,155
Library	-	-	-	31,966	31,966
Debt service	-	-	-	104,453	104,453
Capital projects	-	-	-	1,770,206	1,770,206
Perpetual care-nonexpendable	-	-	-	679,328	679,328
Perpetual care-expendable	-	-	-	203,860	203,860
Unreserved-reported in:					-
General Fund	2,227,120	-	-	-	2,227,120
Special Revenue Funds	-	347,156	176,587	578,558	1,102,301
Debt Service Funds	-	-	-	5,669	5,669
Capital Projects Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>826,006</u>	<u>826,006</u>
 Total Fund Balances	 <u>2,231,948</u>	 <u>348,134</u>	 <u>177,657</u>	 <u>4,200,325</u>	 <u>6,958,064</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,320,696</u>	 <u>\$ 352,929</u>	 <u>\$ 198,593</u>	 <u>\$ 4,577,072</u>	

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

 General capital assets 8,723,696
 Infrastructure assets 10,508,423

Prepaid items 73,743
Interest accrued on outstanding bonds is not reported in the funds (61,509)

Long term liabilities are not due and payable in the current period and are not reported in the funds (4,775,000)

Internal Service Funds are included as part of governmental activities 3,597,308

Net Assets of Governmental Activities \$25,024,725

City of Zeeland, Michigan
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General Fund	Major Street Fund	Local Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 4,175,591	\$ -	\$ -	\$ 212,117	\$ 4,387,708
Licenses and permits	91,876	-	-	-	91,876
Federal grants	-	-	-	411,991	411,991
State shared revenues	565,958	292,258	113,759	11,070	983,045
Local unit contributions	-	-	-	243,453	243,453
Charges for services	51,758	425	150	43,142	95,475
Fines and forfeitures	32,663	-	-	23,977	56,640
Interest and rent	157,726	330	4,340	106,747	269,143
Other	20,486	100	2,858	148,215	171,659
Total Revenues	5,096,058	293,113	121,107	1,200,712	6,710,990
Expenditures:					
Current:					
General government	1,305,501	-	-	49,262	1,354,763
Public safety	1,511,068	-	-	-	1,511,068
Public works	191,805	1,140,632	449,678	577,820	2,359,935
Community and economic development	66,521	-	-	21,362	87,883
Recreation and culture	171,482	-	-	778,366	949,848
Insurance and other	54,290	-	-	-	54,290
Capital outlay	-	-	-	604,110	604,110
Debt service					
Principal	-	-	-	240,000	240,000
Interest	-	-	-	104,908	104,908
Total Expenditures	3,300,667	1,140,632	449,678	2,375,828	7,266,805
Excess of Revenues Over (Under) Expenditures	1,795,391	(847,519)	(328,571)	(1,175,116)	(555,815)
Other Financing Sources (Uses):					
Bonds issued	-	-	-	2,100,000	2,100,000
Discount on bonds issued	-	-	-	(20,983)	(20,983)
Proceeds - sale of capital asset	-	-	-	300,000	300,000
Transfers in	344,500	775,000	235,058	760,000	2,114,558
Transfers out	(1,728,000)	(42,000)	-	(58)	(1,770,058)
Total Other Financing Sources (Uses)	(1,383,500)	733,000	235,058	3,138,959	2,723,517
Net Change in Fund Balances	411,891	(114,519)	(93,513)	1,963,843	2,167,702
Fund Balances - July 1	1,820,057	462,653	271,170	2,236,482	4,790,362
Fund Balances - June 30	\$ 2,231,948	\$ 348,134	\$ 177,657	\$ 4,200,325	\$ 6,958,064

See Notes to Financial Statements

City of Zeeland, Michigan
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
 Year Ended June 30, 2006

Net change in fund balances-Total Governmental Funds	\$ 2,167,702
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Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Current year capital outlays capitalized - general capital assets	286,506
Current year capital outlays capitalized - infrastructure capital assets	2,244,077
Current year depreciation expense on capitalized assets	(1,401,643)

Governmental funds report the proceeds from the disposal of capital assets. In the statement of activities only the gain or loss is reported for each disposal. Therefore the change in net assets differs from the change in fund balance by the net book value of assets disposed	(8,500)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is as follows:

Bonds issued	(2,100,000)
Discount on bonds issued	20,983
Amortization of deferred bond refunding loss/issuance costs/premiums/discounts	(10,630)
Principal payments on long-term debt	240,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due	(33,857)
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment rental, to individual funds. The net revenue (expenses) of certain internal service funds is reported with governmental activities	181,943
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Change in net assets of governmental activities	<u>\$ 1,586,581</u>
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City of Zeeland, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Enterprise Funds				Internal Service Funds
	Electric Utility	Water Utility	Clean Water Utility	Total	
ASSETS					
Current Assets:					
Cash and investments	\$12,843,689	\$ 3,096,794	\$ 4,319,885	\$20,260,368	\$ 2,406,785
Receivables:					
Accounts	1,840,948	261,909	149,995	2,252,852	210
Interest	50,411	18,588	21,139	90,138	7,302
Due from other governments	-	69,745	-	69,745	-
Inventories	355,302	54,899	-	410,201	-
Prepaid items	3,759,968	212,769	1,628	3,974,365	758
Total Current Assets	<u>18,850,318</u>	<u>3,714,704</u>	<u>4,492,647</u>	<u>27,057,669</u>	<u>2,415,055</u>
Noncurrent Assets:					
Restricted cash - Revenue bond covenant accounts	<u>663,000</u>	<u>904,500</u>	<u>-</u>	<u>1,567,500</u>	<u>-</u>
Capital assets:					
Land	763,096	122,611	310,706	1,196,413	-
Construction in progress	1,160,412	91,192	-	1,251,604	-
Land improvements	442,232	161,240	129,781	733,253	-
Buildings and improvements	3,318,821	780,934	856,571	4,956,326	-
Systems	41,207,719	20,515,576	12,078,374	73,801,669	-
Machinery and equipment	964,028	139,253	43,897	1,147,178	2,738,061
Less accumulated depreciation	<u>(20,821,137)</u>	<u>(6,512,071)</u>	<u>(5,613,170)</u>	<u>(32,946,378)</u>	<u>(1,154,331)</u>
Total Capital Assets	<u>27,035,171</u>	<u>15,298,735</u>	<u>7,806,159</u>	<u>50,140,065</u>	<u>1,583,730</u>
Total Noncurrent Assets	<u>27,698,171</u>	<u>16,203,235</u>	<u>7,806,159</u>	<u>51,707,565</u>	<u>1,583,730</u>
Total Assets	<u>46,548,489</u>	<u>19,917,939</u>	<u>12,298,806</u>	<u>78,765,234</u>	<u>3,998,785</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	2,161,086	253,352	30,420	2,444,858	65,599
Accrued payroll	21,661	5,663	7,087	34,411	2,892
Accrued interest payable	40,834	91,060	-	131,894	-
Current portion of long-term debt	<u>380,000</u>	<u>560,000</u>	<u>-</u>	<u>940,000</u>	<u>-</u>
Total Current Liabilities	<u>2,603,581</u>	<u>910,075</u>	<u>37,507</u>	<u>3,551,163</u>	<u>68,491</u>
Noncurrent Liabilities:					
Long-term debt, net of current portion	<u>4,555,000</u>	<u>7,930,000</u>	<u>-</u>	<u>12,485,000</u>	<u>-</u>
Total Liabilities	<u>7,158,581</u>	<u>8,840,075</u>	<u>37,507</u>	<u>16,036,163</u>	<u>68,491</u>
NET ASSETS					
Invested in capital assets, net of related debt	22,100,171	6,808,735	7,806,159	36,715,065	1,583,730
Restricted for debt service	663,000	904,500	-	1,567,500	-
Unrestricted	<u>16,626,737</u>	<u>3,364,629</u>	<u>4,455,140</u>	<u>24,446,506</u>	<u>2,346,564</u>
Total Net Assets	<u>\$39,389,908</u>	<u>\$11,077,864</u>	<u>\$12,261,299</u>	<u>62,729,071</u>	<u>\$ 3,930,294</u>
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds				<u>332,986</u>	
Net assets of business-type activities				<u>\$63,062,057</u>	

See Notes to Financial Statements

City of Zeeland, Michigan
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	Enterprise Funds				Internal Service Funds
	Electric Utility	Water Utility	Clean Water Utility	Total	
Operating Revenues:					
Electric sales	\$20,104,349	\$ -	\$ -	\$20,104,349	\$ -
Water sales	-	3,245,257	-	3,245,257	-
Sewage disposal charges	-	-	1,590,235	1,590,235	-
Charges for services	-	-	-	-	1,868,610
Other revenues	49,506	9,589	14,247	73,342	48,174
Total Operating Revenues	<u>20,153,855</u>	<u>3,254,846</u>	<u>1,604,482</u>	<u>25,013,183</u>	<u>1,916,784</u>
Operating Expenses:					
Electric production and purchases	13,495,591	-	-	13,495,591	-
Water production and purchases	-	1,059,220	-	1,059,220	-
Waste treatment	-	-	481,522	481,522	-
Transmission and distribution	1,496,873	300,966	115,084	1,912,923	-
Customer accounts	268,950	129,833	120,527	519,310	-
Supplies and other operating expenses	-	-	-	-	1,473,471
General and administrative	370,634	144,101	216,675	731,410	26,103
Depreciation	1,482,814	603,855	334,171	2,420,840	179,380
Total Operating Expenses	<u>17,114,862</u>	<u>2,237,975</u>	<u>1,267,979</u>	<u>20,620,816</u>	<u>1,678,954</u>
Operating Income	<u>3,038,993</u>	<u>1,016,871</u>	<u>336,503</u>	<u>4,392,367</u>	<u>237,830</u>
Nonoperating Revenues (Expenses)					
Interest income	399,750	88,015	101,943	589,708	54,125
Interest expense	(189,157)	(408,136)	-	(597,293)	-
Gain on sale of capital assets	40,731	2,709	-	43,440	31,329
Other	26,912	33,150	-	60,062	-
Total Nonoperating Revenues (Expenses)	<u>278,236</u>	<u>(284,262)</u>	<u>101,943</u>	<u>95,917</u>	<u>85,454</u>
Income Before Contributions and Transfers	3,317,229	732,609	438,446	4,488,284	323,284
Capital contributions	51,390	155,028	81,553	287,971	-
Transfers out	<u>(344,500)</u>	<u>-</u>	<u>-</u>	<u>(344,500)</u>	<u>-</u>
Change in Net Assets	3,024,119	887,637	519,999	4,431,755	323,284
Net Assets - July 1	<u>36,365,789</u>	<u>10,190,227</u>	<u>11,741,300</u>		<u>3,607,010</u>
Net Assets - June 30	<u>\$39,389,908</u>	<u>\$11,077,864</u>	<u>\$12,261,299</u>		<u>\$ 3,930,294</u>
Adjustment to reflect the consolidation of internal service funds activities to enterprise funds				<u>141,341</u>	
Change in net assets of business-type activities				<u>\$ 4,573,096</u>	

See Notes to Financial Statements

City of Zeeland, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	Enterprise Funds				Internal Service Funds
	Electric Utility	Water Utility	Clean Water Utility	Total	
Cash Flows From Operating Activities:					
Receipts from customers	\$ 20,234,472	\$ 3,379,360	\$ 1,617,548	\$ 25,231,380	\$ -
Payments to suppliers	(16,026,631)	(1,306,309)	(598,752)	(17,931,692)	(1,307,183)
Payments to employees	(857,205)	(293,325)	(340,321)	(1,490,851)	(158,117)
Other receipts (payments)	26,912	33,150	-	60,062	47,964
Net Cash Provided By Operating Activities	<u>3,377,548</u>	<u>1,812,876</u>	<u>678,475</u>	<u>5,868,899</u>	<u>451,274</u>
Cash Flows From Noncapital Financing Activities:					
Transfers from/to other funds	(344,500)	-	-	(344,500)	-
Cash Flows From Capital and Related Financing Activities:					
Capital contributions	51,390	85,283	81,553	218,226	-
Acquisition and construction of capital assets	(6,349,065)	(387,122)	(534,084)	(7,270,271)	(164,560)
Principal paid on capital debt	(370,000)	(555,000)	-	(925,000)	-
Interest paid on capital debt	(167,647)	(342,775)	-	(510,422)	-
Deposit to escrow account for defeasance of debt	-	(131,651)	-	(131,651)	-
Proceeds from sale of capital assets	41,000	2,811	-	43,811	33,235
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(6,794,322)</u>	<u>(1,328,454)</u>	<u>(452,531)</u>	<u>(8,575,307)</u>	<u>(131,325)</u>
Cash Flows From Investing Activities:					
Interest received on investments	402,520	84,863	92,441	579,824	51,999
Net Increase (Decrease) in Cash and Investments	(3,358,754)	569,285	318,385	(2,471,084)	371,948
Cash and Investments - July 1	16,865,443	3,432,009	4,001,500	24,298,952	2,034,837
Cash and Investments - June 30	\$ 13,506,689	\$ 4,001,294	\$ 4,319,885	\$ 21,827,868	\$ 2,406,785
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:					
Operating income	\$ 3,038,993	\$ 1,016,871	\$ 336,503	\$ 4,392,367	\$ 237,830
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,482,814	603,855	334,171	2,420,840	179,380
Other nonoperating income (expense)	26,912	33,150	-	60,062	-
Change in assets and liabilities:					
Receivables	80,617	124,514	13,066	218,197	(210)
Inventories	(5,198)	(2,849)	-	(8,047)	-
Prepaid items	(710,026)	(1,191)	4,057	(707,160)	32,093
Accounts payable	(543,290)	33,452	(11,377)	(521,215)	1,450
Accrued and other liabilities	6,726	5,074	2,055	13,855	731
Net Cash Provided By Operating Activities	<u>\$ 3,377,548</u>	<u>\$ 1,812,876</u>	<u>\$ 678,475</u>	<u>\$ 5,868,899</u>	<u>\$ 451,274</u>
Cash and investments:					
Cash and investments	\$ 12,843,689	\$ 3,096,794	\$ 4,319,885	\$ 20,260,368	\$ 2,406,785
Revenue bond covenant accounts	663,000	904,500	-	1,567,500	-
	<u>\$ 13,506,689</u>	<u>\$ 4,001,294</u>	<u>\$ 4,319,885</u>	<u>\$ 21,827,868</u>	<u>\$ 2,406,785</u>

Noncash capital financing activities:

As more fully described in note 3E (Advance Refunding-1995 & 1996 Water Revenue Bonds) the Water Utility Fund issued bonds to refund debt issued in 1995 & 1996. Net proceeds of \$3,408,238 were deposited into an irrevocable trust for the defeasance of \$3,405,000 of outstanding bonds.

See Notes to Financial Statements

City of Zeeland, Michigan
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

	Defined Benefit Pension Trust Fund	Agency Funds
ASSETS		
Cash and investments	\$ 3,483	\$ 175,888
Investments:		
Money market funds	239,283	-
U.S. government securities	1,052,197	-
Stocks	2,902,204	-
Bonds	534,603	-
Employer contributions receivable	9,529	
Employee contributions receivable	175	-
Accrued interest receivable	17,242	-
	<u>4,758,716</u>	<u>\$ 175,888</u>
Total Assets		
	<u>4,758,716</u>	<u>\$ 175,888</u>
LIABILITIES		
Accounts payable	-	\$ 2,817
Customer deposits	-	93,582
Due to other governments	-	79,489
	<u>-</u>	<u>175,888</u>
Total Liabilities		
	<u>-</u>	<u>\$ 175,888</u>
NET ASSETS		
Held in Trust for Pension Benefits	<u>\$ 4,758,716</u>	

City of Zeeland, Michigan
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2006

	<u>Defined Benefit Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 254,078
Employee	<u>4,098</u>
Total Contributions	<u>258,176</u>
Investment earnings:	
Net appreciation in fair value of investments	237,250
Interest	67,957
Dividends	<u>63,318</u>
Net Investment Earnings	<u>368,525</u>
Total Additions	<u>626,701</u>
DEDUCTIONS	
Benefit payments	226,677
Administrative expense	<u>67,233</u>
Total Deductions	<u>293,910</u>
Change in Net Assets	332,791
Net Assets - July 1	<u>4,425,925</u>
Net Assets - June 30	<u>\$ 4,758,716</u>

City of Zeeland, Michigan
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Zeeland conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Zeeland:

A. Reporting Entity

The City of Zeeland is governed by an elected mayor and six-member council. The accompanying financial statements present the city and its component units, entities for which the city is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the city's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Unit. The Zeeland Building Authority has a three member board that is appointed by the City Council. During 1991, the Building Authority issued limited tax general obligation bonds to finance a part of the cost of the acquisition and construction of improvements of two existing downtown parking lots. The city has entered into a long-term lease with the authority for the use of these facilities. The city established special assessment districts and will levy an annual operating millage to finance the operations of the authority. During 1998, the Building Authority issued limited tax general obligation bonds to finance additions and improvements to city hall and the construction of a storage building at the street department. The city has entered into a long-term lease with the authority for the project. The city is required to provide annually sufficient monies from its general funds for the payment of the outstanding bonds.

Discretely Presented Component Unit. The city has no discretely presented component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. (The City of Zeeland has no such component units.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Other revenue is recorded when received.

The city reports the following major governmental funds:

General Fund - The General Fund is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major and Local Street Funds - The Major Street and Local Street Funds account for the resources of state gas and weight taxes that are restricted for use on major and local streets. They also account for monies received from special taxes levied for street improvement purposes and for monies received from General Fund contributions.

The city reports the following major proprietary funds:

Electric Utility Fund - This fund is used to account for the electric utility sales and costs associated with the generation, purchase, transmission and distribution of electricity.

Water Utility Fund - This fund is used to account for the operation and maintenance of a water distribution system, including storage tanks, pumping stations, distribution mains and services and related equipment. Water is purchased from the City of Holland Board of Public Works for storage and distribution to Zeeland's customers.

Clean Water Utility Fund - This fund is used to account for the operation and maintenance of a wastewater collection system, lift stations and treatment facility.

Additionally, the government reports the following fund types:

Governmental Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Debt Service Funds - Debt Service Funds account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Funds - Capital Project Funds are used to account for resources accumulated for the acquisition or construction of specific capital projects or items.

Permanent Funds - The Permanent Fund is used to record the activity of the Cemetery Trust which provides funds for the perpetual care of cemetery lots.

Proprietary Funds

Internal Service Funds - Internal Service Funds account for 1) building maintenance services, 2) major machinery, equipment and vehicle purchases and maintenance and 3) health care self-insurance services provided to other departments of the city on a cost reimbursement basis.

Fiduciary Funds (Not included in government-wide statements)

Pension Trust Fund - The Pension Trust Fund account for the activities of the city's defined benefit pension plan for eligible employees and are accounted for in essentially the same manner as proprietary funds.

Agency Funds - Agency Funds account for assets held by the city in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations. The City maintains agency funds to account for tax collections and related payments as well as refundable customer deposits.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The city has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's electric, water and sewer functions and various other functions of the city. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and clean water funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Bank Deposits and Investments.

The city pools cash resources of its various funds to facilitate the management of cash. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the city's investments. Debt service funds, self-insurance funds, bond covenant accounts and Pension Trust Funds are maintained in separate accounts.

For purposes of the statement of cash flows, the proprietary funds type considers all transactions within the city's pooled cash accounts to be cash and cash equivalents.

Investments are recorded at fair value. Interest is accrued and earnings in the pooled cash accounts are allocated quarterly to each fund based upon monthly balances of cash and investments.

2. *Receivables and Payables.*

In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The property tax receivable allowance is equal to 100 percent of the outstanding property taxes. No allowance for uncollectible accounts is considered for other receivables.

3. *Inventories and Prepaid Items.*

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted Assets*

Certain proceeds of the enterprise funds revenues bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. The “revenue bond covenant accounts” are used to segregate resources set aside to make up potential future deficiencies in the bond current debt service accounts.

5. *Capital Assets.*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the city as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$0 of interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	5-10
Machinery and equipment	5-15
Office furniture and equipment	5-20
Vehicles	3-25
Roads and sidewalks	15-25
Electric, water and sewer systems	10-50

6. *Compensated Absences.*

It is the city’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for sick leave since the city does not have a policy to pay amounts when the employees separate from service from the city. If material, all vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only for employee terminations at year-end.

7. Long-Term Obligations.

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Property Taxes

Property taxes are levied on each July 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge from a period of 45 days from the due date the bills are due. After that period of time, two percent penalty and interest at three quarters of a percent per month are added to all unpaid taxes. The city continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. The county's policy has been to pay the city for all delinquent real property taxes returned. The city continues to collect delinquent personal property taxes.

The city's 2005 ad valorem tax is levied and collectible on July 1, 2005, and is recognized as revenue in the year ended June 30, 2006, when the proceeds of this levy are budgeted and made available for the financing of operations.

The 2005 taxable valuation of the city totaled \$238,582,440 excluding abated valuations, on which ad valorem taxes levied consisted of 10.8854 mills for operating purposes and .5000 mills for library debt purposes. This resulted in \$2,596,537 for operating purposes and \$119,258 for library debt purposes.

In addition the city's 2005 taxable valuation for abated property totaled \$286,569,237 on which taxes levied consisted of 5.4427 mills for operating purposes and .2500 mills for library debt purposes. This resulted in \$1,559,525 for operating purposes and \$71,633 for library debt purposes.

The above amounts are recognized in the respective General and Debt Service Funds financial statements as tax revenue.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State Construction Code Act – The city oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The city charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs.

The city accounts for the activity of its building inspection department within its general fund. Following is a summary of the cumulative deficit and activity for the year ended June 30, 2006:

Surplus (deficit) - July 1, 2005		\$ (137,925)
Charges for services	\$ 51,747	
Building inspection expenditures	<u>(161,570)</u>	<u>(109,823)</u>
Surplus (deficit) - June 30, 2006		<u>\$ (247,748)</u>

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of city funds. The investment policy adopted by the city in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The city's pension trust funds investments are held in trust by the investment fiduciary, Merrill Lynch Trust Company. Michigan Compiled Laws, Section 38.1132, authorizes the city pension trusts to invest in a wide variety of investments including stocks, bonds, diversified investment companies, certificates of deposit, real estate, annuity investment contracts, and certain other specified investment vehicles. Specific limitations apply to the various investment types depending on the size of the pension trust.

The city's deposits and investment policy are in accordance with statutory authority.

At year-end, the city's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and investments	\$ 9,282,504	\$ 20,260,368	\$ 4,907,658	\$ 34,450,530
Revenue bond covenant accounts	<u>-</u>	<u>1,567,500</u>	<u>-</u>	<u>1,567,500</u>
Total	<u>\$ 9,282,504</u>	<u>\$ 21,827,868</u>	<u>\$ 4,907,658</u>	<u>\$ 36,018,030</u>

The breakdown between deposits and investments is as follows:

	City	Pension Trust	Total
Bank deposits (checking and savings accounts, certificates of deposit)	\$ 4,800,992	\$ 3,483	\$ 4,804,475
Investments:			
Federal Home Loan Mortgage Corporation	7,979,184	15,923	7,995,107
Federal National Mortgage Corporation	6,934,453	294,706	7,229,159
Federal Home Loan Bank	6,140,059	212,420	6,352,479
Federal Farm Credit Bank	188,562	-	188,562
US Treasury Bills	-	84,585	84,585
US Treasury Notes	99,066	444,563	543,629
Corporate bonds	-	534,603	534,603
Corporate stocks	-	2,902,204	2,902,204
Money market accounts	5,143,944	239,283	5,383,227
Total investments	26,485,268	4,728,287	31,213,555
Total deposits and investments	\$ 31,286,260	\$ 4,731,770	\$ 36,018,030

The city's investment in US Government and Agency debt obligations at year end consists of:

Investment	Maturities	Fair Value	Investment	Maturities	Fair Value
Federal Home Loan Mtg Corp	03-01-09	\$ 96,357	Federal National Mtg Assoc	11-15-07	\$ 970,630
Federal Home Loan Mtg Corp	03-01-07	49,182	Federal National Mtg Assoc	04-30-08	968,750
Federal Home Loan Mtg Corp	11-01-07	252,734	Federal National Mtg Assoc	04-29-09	962,500
Federal Home Loan Mtg Corp	03-01-08	493,519	Federal National Mtg Assoc	05-05-09	988,130
Federal Home Loan Mtg Corp	03-01-08	45,909	Federal National Mtg Assoc	02-15-09	255,657
Federal Home Loan Mtg Corp	04-01-08	37,546	Federal National Mtg Assoc	02-15-10	180,203
Federal Home Loan Mtg Corp	05-01-08	541,747	Federal Home Loan Bank	01-15-08	96,516
Federal Home Loan Mtg Corp	06-01-08	792,530	Federal Home Loan Bank	05-26-09	36,592
Federal Home Loan Mtg Corp	07-01-08	279,322	Federal Home Loan Bank	12-01-09	76,513
Federal Home Loan Mtg Corp	08-01-08	167,089	Federal Home Loan Bank	11-02-07	97,312
Federal Home Loan Mtg Corp	09-01-08	289,667	Federal Home Loan Bank	12-23-08	95,235
Federal Home Loan Mtg Corp	12-01-08	370,563	Federal Home Loan Bank	10-18-06	998,130
Federal Home Loan Mtg Corp	01-01-09	892,369	Federal Home Loan Bank	11-13-06	996,880
Federal Home Loan Mtg Corp	05-01-09	463,374	Federal Home Loan Bank	11-28-06	497,030
Federal Home Loan Mtg Corp	05-01-19	240,506	Federal Home Loan Bank	05-15-07	975,630
Federal Home Loan Mtg Corp	12-15-06	266,879	Federal Home Loan Bank	05-24-07	497,655
Federal Home Loan Mtg Corp	09-15-08	259,875	Federal Home Loan Bank	05-25-11	994,690
Federal Home Loan Mtg Corp	02-15-07	264,854	Federal Home Loan Bank	02-15-07	98,375
Federal Home Loan Mtg Corp	04-01-08	35,522	Federal Home Loan Bank	08-15-07	196,188
Federal Home Loan Mtg Corp	04-23-08	242,200	Federal Home Loan Bank	02-15-08	193,438
Federal Home Loan Mtg Corp	06-25-08	1,897,440	Federal Home Loan Bank	08-15-08	289,875
Federal National Mtg Assoc	02-13-07	98,485	Federal Farm Credit Bank	03-12-09	188,562
Federal National Mtg Assoc	05-18-07	565,718	US Treasury Note	11-15-06	99,066
Federal National Mtg Assoc	06-18-07	1,944,380			
			Total		\$21,341,324

The city's pension trust fund investments in debt obligations at year end consist of:

Investment	Maturities	Fair Value	Investment	Maturities	Fair Value
US Government and Agency Obligations:					
Federal Home Loan Mtg Corp	05-11-11	\$ 15,923	Berkshire Hathaway	10-15-08	\$ 14,280
Federal National Mtg Assoc	2009	46,692	Boeing Co	05-15-13	15,436
Federal National Mtg Assoc	2036	149,963	Campbell Soup Co	06-15-09	29,981
Federal National Mtg Assoc	2036	98,051	Caterpillar Fin Ser Corp	06-15-09	17,458
Federal Home Loan Bank	05-20-07	127,685	Cisco Systems, Inc	02-22-16	15,364
Federal Home Loan Bank	08-15-06	84,735	DaimlerChrysler Hldg	11-15-13	41,977
US Treasury Bill	08-10-06	84,585	John Deere capital Corp	01-15-07	17,547
US Treasury Note	05-15-08	39,308	Diago Capital PLC	03-20-08	15,980
US Treasury Note	11-15-13	5,678	Walt Disney Co	03-01-12	34,889
US Treasury Note	12-15-08	95,969	Dominion Resources, Inc	02-15-08	19,497
US Treasury Note	02-15-07	64,776	Dow Chemical	02-01-11	16,193
US Treasury Note	05-15-09	36,734	FleetBoston Financial Corp	02-15-08	14,596
US Treasury Note	10-15-09	3,792	General Electric Capital Corp	05-01-08	30,844
US Treasury Note	11-15-14	40,440	Goldman Sachs Group, Inc. Note	01-15-15	30,851
US Treasury Note	01-15-10	38,084	Home Depot, Inc	03-01-16	15,337
US Treasury Note	05-15-15	119,782	NM Household Fin Corp	11-27-12	31,749
Total US Gov't & Agency Obligations		1,052,197	JP Morgan Chase & Co	02-01-08	14,629
Corporate Bonds:					
Abbott Laboratories	05-15-16	10,906	Metlife, Inc	12-15-12	15,470
Alcoa, Inc	08-01-10	32,769	Morgan Stanley Dean Whitter	04-01-07	23,012
Anadarko Finance Co	05-01-11	15,413	SLM Corp	08-27-12	15,365
Bear Stearns Co, Inc	01-15-07	29,999	Wells Fargo	11-15-14	15,061
			Total Corporate Bonds		534,603
			Total		\$ 1,586,800

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the city's deposits may not be returned. At year end the bank balance of the city's deposits was \$4,935,132 of which \$332,485 was covered by federal depository insurance and \$4,602,647 was exposed to custodial credit risk because it was uninsured and uncollateralized. The city believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The city's investment policy provides that deposits are restricted to financial institutions that have been evaluated for creditworthiness and meet certain ratios.

Interest rate risk. Except as limited by state law as listed in the above list of authorized investments the city does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The city has no investment policy that limits its investment choices beyond those required by state law. The city's and pension trust fund's investments in US Government Agency obligations were rated AAA by Standard & Poor's. The pension trust fund's investments in corporate bonds were rated as follows:

<u>Standard & Poor's Rating</u>	<u>Amount</u>
AAA	\$ 45,124
AA	26,243
AA-	77,661
A+	98,441
A	78,274
A-	117,377
BBB	61,474
BBB-	15,413
Not rated	14,596
	<u>\$ 534,603</u>

At year end the city had \$5,143,944 and the pension trust fund had \$239,283 in permissible money market funds that are not separately rated.

Custodial Credit Risk-Investments. For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The city has not adopted a policy for investment custodial credit risk. As of June 30, 2006, the city's investments were held by a third party in the city's name. The city's investments in money market accounts are not subject to risk categorization.

Concentration of Credit Risk. State law does not limit and the city has not adopted a formal policy on the amount the city may invest in any one issuer. More than 5% of the city's investments are in the Federal Home Loan Mortgage Corp. (22.2%), the Federal National Mortgage Corp. (23.2%), and the Federal Home Loan Bank (20.4%).

B. Receivables

Receivables as of year-end for the city's individual major funds, and non-major funds, internal service funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Clean Water Utility</u>	<u>Non-major Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Receivables:									
Accounts	\$ 20,421	\$ 321	\$ -	\$ 1,840,948	\$ 261,909	\$ 149,995	\$ 53,000	\$ 210	\$ 2,326,804
Interest	6,707	-	359	50,411	18,588	21,139	14,168	7,302	118,674
Intergovernmental	110,192	46,787	17,012	-	69,745	-	297,449	-	541,185
Gross receivables	137,320	47,108	17,371	1,891,359	350,242	171,134	364,617	7,512	2,986,663
Allowance for uncollectibles	-	-	-	-	-	-	-	-	-
Net Total Receivables	<u>\$ 137,320</u>	<u>\$ 47,108</u>	<u>\$ 17,371</u>	<u>\$ 1,891,359</u>	<u>\$ 350,242</u>	<u>\$ 171,134</u>	<u>\$ 364,617</u>	<u>\$ 7,512</u>	<u>\$ 2,986,663</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the city reported no deferred revenue.

C. Capital Assets

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 1,340,600	\$ 10,715	\$ (8,500)	\$ -	\$ 1,342,815
Construction in progress	927,600	674,910	-	(927,600)	674,910
Subtotal	2,268,200	685,625	(8,500)	(927,600)	2,017,725
Capital Assets Being Depreciated					
Land improvements	879,728	222,544	-	6,493	1,108,765
Buildings and improvements	8,955,341	-	-	-	8,955,341
Machinery and equipment	473,370	7,449	-	-	480,819
Office furniture and equipment	592,578	45,798	-	-	638,376
Equipment-Motor Pool	510,792	91,972	(51,283)	-	551,481
Vehicles-Motor Pool	2,196,755	72,587	(82,762)	-	2,186,580
Infrastructure	14,703,641	1,569,167	-	921,107	17,193,915
Subtotal	28,312,205	2,009,517	(134,045)	927,600	31,115,277
Less Accumulated Depreciation for					
Land improvements	(605,865)	(72,122)	-	-	(677,987)
Buildings and improvements	(1,980,025)	(280,893)	-	-	(2,260,918)
Machinery and equipment	(321,423)	(45,366)	-	-	(366,789)
Office furniture and equipment	(412,090)	(84,636)	-	-	(496,726)
Equipment-Motor Pool	(298,617)	(49,176)	49,378	-	(298,415)
Vehicles-Motor Pool	(808,474)	(130,204)	82,762	-	(855,916)
Infrastructure	(6,441,776)	(918,626)	-	-	(7,360,402)
Subtotal	(10,868,270)	(1,581,023)	132,140	-	(12,317,153)
Net Capital Assets Being Depreciated	17,443,935	428,494	(1,905)	927,600	18,798,124
Governmental Activities Total					
Capital Assets - Net of Depreciation	\$ 19,712,135	\$ 1,114,119	\$ (10,405)	\$ -	\$ 20,815,849

Business-Type Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated					
Land	\$ 895,038	\$ 301,375	\$ -	\$ -	\$ 1,196,413
Construction in progress	<u>833,225</u>	<u>1,237,205</u>	<u>-</u>	<u>(818,826)</u>	<u>1,251,604</u>
Subtotal	<u>1,728,263</u>	<u>1,538,580</u>	<u>-</u>	<u>(818,826)</u>	<u>2,448,017</u>
Capital Assets Being Depreciated					
Land improvements	528,961	204,292	-	-	733,253
Building and improvements	4,164,250	792,076	-	-	4,956,326
Systems	68,534,492	4,572,765	(124,414)	818,826	73,801,669
Machinery and equipment	<u>1,152,514</u>	<u>162,558</u>	<u>(167,894)</u>	<u>-</u>	<u>1,147,178</u>
Subtotal	<u>74,380,217</u>	<u>5,731,691</u>	<u>(292,308)</u>	<u>818,826</u>	<u>80,638,426</u>
Less Accumulated Depreciation for					
Land improvements	(422,125)	(50,469)	-	-	(472,594)
Buildings and improvements	(1,745,024)	(125,024)	-	-	(1,870,048)
Systems	(27,800,878)	(2,119,073)	124,414	-	(29,795,537)
Machinery and equipment	<u>(849,448)</u>	<u>(126,274)</u>	<u>167,523</u>	<u>-</u>	<u>(808,199)</u>
Subtotal	<u>(30,817,475)</u>	<u>(2,420,840)</u>	<u>291,937</u>	<u>-</u>	<u>(32,946,378)</u>
Net Capital Assets Being Depreciated	<u>43,562,742</u>	<u>3,310,851</u>	<u>(371)</u>	<u>818,826</u>	<u>47,692,048</u>
Business Type Activities Total					
Capital Assets - Net of Depreciation	<u>\$ 45,291,005</u>	<u>\$ 4,849,431</u>	<u>\$ (371)</u>	<u>\$ -</u>	<u>\$ 50,140,065</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General government	\$ 142,489
Public safety	118,407
Public works	929,548
Recreation and culture	211,199
Internal service fund depreciation is charged to the various functions based on their usage of the assets	<u>179,380</u>
Total Governmental Activities	<u>\$ 1,581,023</u>
Business-Type Activities	
Electric	\$ 1,482,814
Water	603,855
Clean water	<u>334,171</u>
Total Business-Type Activities	<u>\$ 2,420,840</u>

Construction Commitments-The city has active construction projects at year-end. At year-end the city's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Electric Utility projects	\$ 4,341,000	\$ 670,000
Water Utility projects	89,700	195,000
Street maintenance facility	89,000	1,819,000
Gentex Corporation infrastructure projects	<u>292,000</u>	<u>87,000</u>
Total	<u>\$ 4,811,700</u>	<u>\$ 2,771,000</u>

D. Interfund Receivables, Payables and Transfers

At June 30, 2006, there were no interfund balances. Interfund transfers reported in the funds statements were as follows:

	Transfers Out				Total
	General Fund	Major Street Fund	Non-major Governmental Funds	Electric Utility Fund	
Transfers In					
General Fund	\$ -	\$ -	\$ -	\$ 344,500 (1)	\$ 344,500
Major Street Fund	775,000 (2)	-	-	-	775,000
Local Street Fund	235,000 (2)	-	58 (6)	-	235,058
Parking System Fund	100,000 (3)	-	-	-	100,000
Community Center Fund	140,000 (3)	-	-	-	140,000
Library Fund	255,000 (3)	-	-	-	255,000
1993 M.T.F. Act 175 Debt Fund	-	42,000 (4)	-	-	42,000
1998 Building Authority G.O. Debt Fund	113,000 (4)	-	-	-	113,000
Capital Improvements Fund	<u>110,000 (5)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,000</u>
	<u>\$ 1,728,000</u>	<u>\$ 42,000</u>	<u>\$ 58</u>	<u>\$ 344,500</u>	<u>\$ 2,114,558</u>

The following describes the nature of significant transfers:

- (1) Transfer from Electric Utility Fund to General Fund for annual agreed upon payment in lieu of taxes
- (2) Transfers from General Fund to Major and Local Street Funds for street construction
- (3) Transfers from General Fund for annual operating purposes
- (4) Transfers from Major Street and General Funds for annual debt service requirements
- (5) Transfer from General Fund for capital acquisitions
- (6) Transfer from Capital Projects S.A. Districts Fund to Local Street Fund to close out fund

E. Long-Term Debt

The city issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the city is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds						
1998 Building Authority, interest rates from 4.1 % to 6.0 %, maturing 2018	\$ 1,400,000	\$ 1,190,000	\$ -	\$ (60,000)	\$ 1,130,000	\$ 65,000
1994 Library Building, interest rates from 5.7 % to 7.25 %, maturing 2009	400,000	120,000	-	(30,000)	90,000	25,000
2003 Library Refunding, interest rates from 2.0 %-3.1 %, maturing 2014	1,630,000	1,490,000	-	(115,000)	1,375,000	120,000
2006 Capital Improvement, interest rates from 4.0 %-4.4 %, maturing 2025	2,100,000	-	2,100,000	-	2,100,000	75,000
Michigan transportation bonds						
1993 MTF, interest rates from 2.4 %-7.25 %, maturing 2007	440,000	115,000	-	(35,000)	80,000	40,000
Total Governmental Activities		<u>\$ 2,915,000</u>	<u>\$ 2,100,000</u>	<u>\$ (240,000)</u>	<u>\$ 4,775,000</u>	<u>\$ 325,000</u>
Business-Type Activities						
Revenue bonds						
1999 Electric Revenue and Refunding, interest rates from 3.3 % to 4.85 %, maturing 2018	3,125,000	\$ 1,500,000	\$ -	\$ (5,000)	\$ 1,495,000	\$ 5,000
2003 Electric Refunding, interest rates from 2.0 %-3.0 %, maturing 2013	4,230,000	3,805,000	-	(365,000)	3,440,000	375,000
1995 Water Revenue, interest rates from 4.1 %-5.75 %, maturing 2015	2,500,000	1,835,000	-	(1,835,000)	-	-
1996 Water Revenue, interest rates from 4.0 %-7.0 %, maturing 2016	2,500,000	1,780,000	-	(1,780,000)	-	-
2001 Water Revenue, interest rates from 4.3 %-5.5 %, maturing 2020	4,300,000	3,780,000	-	(160,000)	3,620,000	165,000
2002 Water refunding, interest rates from 3.0 %-3.9 %, maturing 2013	1,810,000	1,540,000	-	(145,000)	1,395,000	150,000
2005 Water refunding, interest rates from 3.5 %-4.0 %, maturing 2015	3,515,000	-	3,515,000	(40,000)	3,475,000	245,000
Total Business-Type Activities		<u>\$ 14,240,000</u>	<u>\$ 3,515,000</u>	<u>\$ (4,330,000)</u>	<u>\$ 13,425,000</u>	<u>\$ 940,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 325,000	\$ 195,020	\$ 940,000	\$ 513,051
2008	335,000	168,686	980,000	482,824
2009	305,000	156,215	1,020,000	450,136
2010	315,000	145,285	1,060,000	415,152
2011	310,000	134,073	1,115,000	377,414
2012-2016	1,610,000	486,040	5,855,000	1,231,701
2017-2021	890,000	231,279	2,455,000	286,978
2022-2026	<u>685,000</u>	<u>77,824</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,775,000</u>	<u>\$ 1,594,422</u>	<u>\$ 13,425,000</u>	<u>\$ 3,757,256</u>

Advance Refunding-1995 & 1996 Water Revenue Bonds – On July 5, 2005 the city issued \$3,515,000 in Water Supply System Revenue Refunding Bonds, Series 2005 with an average interest rate of 3.90% to advance refund \$3,405,000 of outstanding Water Supply System Revenue Bonds, Series 1995 & 1996 with an average interest rate of 5.45%. The net proceeds of \$3,408,238 (after payment of \$77,132 in underwriting fees and other issuance costs) plus an additional \$131,651 of Water Utility Fund monies were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the debt service payments until the Series 1995 & 1996 bonds were called on October 1, 2005. As a result of the advance refunding, the 1995 & 1996 bonds are considered defeased and the liability for those bonds has been removed from the proprietary funds statement of net assets and the business type activities column of the government-wide statement of net assets. The advance refunding reduced the aggregate debt service payments by \$199,347, which represents an economic gain of \$100,632.

F. Restricted Assets

Restricted assets in the business-type activities are amounts required to be set aside for debt service by Electric Utility Fund and Water Utility Fund revenue bond covenants as follows:

Electric Utility revenue bond covenant amounts	\$ 663,000
Water Utility revenue bond covenant amounts	<u>904,500</u>
	<u>\$ 1,567,500</u>

NOTE 4. OTHER INFORMATION

A. Risk Management, Health-Care Self-Insurance and Litigation

The city is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The city is insured under the Michigan Municipal League for workers' compensation claims, general liability, and property loss. In addition the Electric Utility and Water Utility Funds obtain commercial insurance coverage for general liability and property loss. The Electric Utility is self-insured for claims not exceeding \$25,000. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool operates as a common risk-sharing program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The city maintains a health care self insurance fund to account for the city's health care and dental coverage which are self-insured by the city. Health care claims in excess of specified amounts and long-term disability claims are covered through third-party insurance policies. Revenues are recognized from city contributions. The city estimates the liability for health and dental claims that have been incurred through the end of the fiscal year but have not been reported. These estimates are recorded in the Health Care Self-Insurance Internal Service Fund. Changes in the claims liability for the past two fiscal years were as follows:

	2006	2005
Balance-July 1	\$ 40,000	\$ 40,000
Incurred claims-including claims incurred but not reported	799,541	752,102
Claims payments	<u>(799,541)</u>	<u>(752,102)</u>
Balance-June 30	<u>\$ 40,000</u>	<u>\$ 40,000</u>

The city is defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the city attorney the resolution of these matters will not have a material adverse effect on the financial condition of the city.

B. Power Sales Contract and Project Contract

The City of Zeeland through its Board of Public Works (BPW) entered into an agreement with the Michigan Public Power Agency (MPPA), a public body political and corporate of the State of Michigan created in 1978. MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operations, and maintenance of projects to supply electric power and energy for present or future needs of its members. Each of MPPA's participating members is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. As of June 30, 2006, the MPPA had 13 participating municipalities.

In January, 1983, MPPA entered into a participation agreement with the Detroit Edison Company providing for the sale to MPPA of an undivided ownership interest (37.22%) in the Belle River Unit No. 1 coal-fueled electric generating facility. The 652 megawatt (MW) generating plant was placed in commercial operation on August 1, 1987. MPPA initially financed the purchase of its portion of the Belle River plant by issuing \$590,000,000 of Project Revenue Bonds.

The BPW has entered into a Power Sales Contract and a Project Support Contract with MPPA whereby MPPA will sell and the BPW will purchase its entitlement share (11.3MW or 4.94% of MPPA's interest) of power and energy from the Belle River plant. During fiscal year 2006, approximately 80.2 million kwh (or approximately 25% of the system's needs) were provided to Zeeland from the Belle River project.

The contracts require the BPW to charge rates for electric power, sufficient to provide revenues adequate to meet its obligations under the agreements. Payments made under the Power Sales Contract are operating expenses of the electric system. Payments made under the Project Support Contract are made after payment of operation and maintenance expenses of the electric system and after debt service payments of the electric system.

Under the provisions of the MPPA bonding resolution, neither the State of Michigan nor any political subdivision thereof, other than MPPA, nor any Participant or any other nonparticipating Member of MPPA is obligated to pay the principal of, premium, if any, or interest on the project revenue bonds and neither the full faith and credit or the taxing power of the State of Michigan or any such Participant or nonparticipating Member is pledged to the payment of the principal of, premium, if any, or interest on the project revenue bonds. MPPA does not have any taxing powers.

C. Other Post-Employment Benefits

The city has elected to provide postretirement health care, dental and life insurance benefits to certain eligible retired employees. Eligible recipients include all full-time employees who have reached the age of 62 and have worked at least ten years for the city. Such benefits are provided to eligible retirees within the schedule of benefits for the city's pre-Medicare and Medicare supplement insurance plans. The city may provide postretirement benefits to its retirees at its discretion and is not obligated in any manner to provide any postretirement benefits in addition to the pension benefits described under the Employee Retirement Systems and Plans note.

As of the end of the fiscal year, 33 eligible retirees and spouses were receiving such postretirement benefits. Expenditures for postretirement benefits are recognized as insurance premiums and claim administrator reimbursements become due. For the year ended June 30, 2006, expenditures of \$100,936 were recognized for postretirement health care and dental insurance benefits, which are net of \$30,450 in reimbursements received from retirees.

D. Deferred Compensation Plan

The city offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan were held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted for any other use. The Administrators are the agents of the employer for the purpose of providing direction to the custodian of the custodial accounts from time to time for the investment of the funds held in the account, transfer of the assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the city's financial statements.

E. Employee Retirement Systems and Plans

The City of Zeeland maintains two pension plans. The defined contribution plan was established July 1, 2000 and covers eligible employees hired after July 1, 2000 and employees hired prior to July 1, 2000 who elected to have their balances transferred from the city's defined benefit plan. Participation in the defined benefit plan was frozen effective July 1, 2000 and now covers only eligible employees hired prior to July 1, 2000 who elected to remain participants in the defined benefit plan and not participate in the defined contribution plan.

1. City of Zeeland Defined Benefit Pension Plan

a. Plan Description

The City of Zeeland Defined Benefit Pension Plan is a single employer plan administered by the City of Zeeland. All full-time employees employed by the city before July 1, 2000 and who work 25 hours or more per week were eligible to remain a participant in the plan. All employees hired on or after July 1, 2000 are required to become a participant in the defined contribution plan. The plan provides retirement and death benefits to plan members and their beneficiaries. The plan was established by the city and can be amended at its discretion, subject to the terms of collective bargaining agreements covering various employee classes. The plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at the city's offices.

b. Summary of Significant Accounting Policies

Basis of Accounting – The plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Plan investments are reported at fair market value. Quoted market prices are used to value investments.

c. Funding Policy

The City of Zeeland, under its charter and through various collective bargaining agreements, has the authority to establish and amend the obligations of the city and plan members to contribute to the plan. Except for police employees, active plan members are currently not obligated to make contributions to the plan. The city is required by the terms of the plan to contribute the actuarially determined amount necessary to fund the plan. In addition, police employees make contributions equal to 1.12% of compensation to partially fund their benefit.

d. Annual Pension Costs

For the year ended June 30, 2006, the city's annual pension cost of \$254,078 was equal to the required and actual contributions. The required pension contribution was determined as part of an actuarial valuation at July 1, 2005, using the aggregate actuarial cost method. Significant actuarial assumptions included (a) a 7% investment rate of return, (b) projected salary increases of 4.0% per year, and (c) no cost of living adjustments. The actuarial value of assets is equal to the fair market value of the assets held in the plan. The plan uses the aggregate actuarial cost method. This method does not identify and separately amortize unfunded actuarial liabilities.

Three year trend information as of June 30 follows:

	Year Ended June 30		
	2004	2005	2006
Annual pension costs (APC)	\$ 187,332	\$ 190,580	\$ 258,176
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

2. City of Zeeland Defined Contribution Plan

The city provides pension benefits to all its employees meeting length of service requirements not participating in the defined benefit plan through a defined contribution plan administered by Merrill Lynch. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The city contributes 8% of covered compensation for participants who were employed by the city before July 1, 2000 and 6% of covered compensation for employees for participants employed after July 1, 2000. Contributions made to the plan were \$164,058 for the year ended June 30, 2006. Plan provisions and contribution requirements are established and may be amended by the City Council.

Required Supplementary Information

City of Zeeland, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ 4,195,000	\$ 4,195,000	\$ 4,175,591	\$ (19,409)
Licenses and permits	100,700	100,700	91,876	(8,824)
State shared revenues	481,000	566,000	565,958	(42)
Charges for services	50,400	50,400	51,758	1,358
Fines and forfeitures	30,000	30,000	32,663	2,663
Interest	80,000	160,000	157,726	(2,274)
Other	20,000	20,000	20,486	486
Total Revenues	<u>4,957,100</u>	<u>5,122,100</u>	<u>5,096,058</u>	<u>(26,042)</u>
Expenditures:				
Current:				
General Government:				
Governing body	42,320	42,320	37,030	5,290
Youth council	8,170	9,820	6,567	3,253
Chief executive-mayor	8,660	8,660	8,503	157
City services infrastructure	47,870	47,870	45,948	1,922
City manager	146,400	146,400	147,881	(1,481)
Elections	13,570	13,570	7,203	6,367
Accounting	88,610	103,460	103,570	(110)
Assessor	170,850	176,200	163,897	12,303
Attorney	122,100	122,100	123,106	(1,006)
Clerk	131,000	138,950	140,210	(1,260)
Personnel management	51,320	61,970	58,698	3,272
Board of review	1,340	1,340	1,103	237
General services	204,500	184,500	171,491	13,009
Treasurer	58,010	59,660	60,068	(408)
Data processing	49,500	44,500	31,046	13,454
Other property	1,500	11,000	9,783	1,217
Cemetery	134,650	137,700	123,470	14,230
Storm water management	23,000	21,000	11,512	9,488
Tree management	13,050	13,440	8,887	4,553
Public relations	31,500	41,500	29,711	11,789
Other	-	16,000	15,817	183
Total General Government	<u>1,347,920</u>	<u>1,401,960</u>	<u>1,305,501</u>	<u>96,459</u>
Public Safety:				
Police administration	293,750	303,750	301,815	1,935
Police patrol	614,050	594,050	567,126	26,924
Team police project	24,530	33,930	32,368	1,562
Fire services	330,565	335,565	326,531	9,034
Building and zoning	166,700	172,050	161,570	10,480
Emergency services	124,000	139,900	121,658	18,242
Total Public Safety	<u>1,553,595</u>	<u>1,579,245</u>	<u>1,511,068</u>	<u>68,177</u>

(Continued on next page)

City of Zeeland, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Public Works:				
Sidewalks	32,960	32,960	31,814	1,146
Highways, streets, and bridges	14,240	24,240	16,986	7,254
Street lighting	29,000	29,000	26,151	2,849
City clean-up	101,450	81,450	67,746	13,704
MACC transit	55,000	55,000	49,108	5,892
Total Public Works	232,650	222,650	191,805	30,845
Community and Economic Development				
Economic development	19,500	19,500	17,121	2,379
Planning commission	48,550	49,800	43,571	6,229
Internal planning	10,000	10,000	3,434	6,566
Construction board of appeals	650	650	216	434
Zoning board of appeals	6,250	6,250	2,179	4,071
Total Community and Economic Development	84,950	86,200	66,521	19,679
Recreation and Culture:				
Timbertown	5,040	5,040	-	5,040
Parks	170,875	175,975	171,482	4,493
Total Recreation and Culture	175,915	181,015	171,482	9,533
Insurance and Other:				
Liability insurance	50,000	50,000	41,476	8,524
Other	5,000	5,000	12,814	(7,814)
Total Insurance and Other	55,000	55,000	54,290	710
Total Expenditures	3,450,030	3,526,070	3,300,667	225,403
Excess Of Revenues Over (Under) Expenditures	1,507,070	1,596,030	1,795,391	199,361
Other Financing Sources (Uses):				
Transfers in	344,500	344,500	344,500	-
Transfers out	(1,778,000)	(1,728,000)	(1,728,000)	-
Total Other Financing Sources (Uses)	(1,433,500)	(1,383,500)	(1,383,500)	-
Net Change in Fund Balances	73,570	212,530	411,891	199,361
Fund Balances - July 1	1,820,057	1,820,057	1,820,057	-
Fund Balances - June 30	\$ 1,893,627	\$ 2,032,587	\$ 2,231,948	\$ 199,361

City of Zeeland, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
State grants	479,000	423,000	-	(423,000)
State shared revenues	298,500	298,500	292,258	(6,242)
Charges for services	2,000	2,000	425	(1,575)
Interest	12,000	12,000	330	(11,670)
Other	-	-	100	100
Total Revenues	<u>791,500</u>	<u>735,500</u>	<u>293,113</u>	<u>(442,387)</u>
Expenditures:				
Current:				
Public Works:				
Construction	1,310,000	1,380,000	858,365	521,635
Surface maintenance	77,820	77,820	64,370	13,450
Off-surface maintenance	30,950	35,950	37,001	(1,051)
Storm and drainage	43,300	38,300	17,097	21,203
Non-motorized facilities	3,000	3,000	-	3,000
Traffic services	47,085	55,885	56,820	(935)
Winter maintenance	86,450	59,150	52,549	6,601
Administration	32,650	32,650	31,004	1,646
Engineering	5,000	13,000	10,766	2,234
Record keeping	12,350	12,800	12,660	140
Total Expenditures	<u>1,648,605</u>	<u>1,708,555</u>	<u>1,140,632</u>	<u>567,923</u>
Excess Of Revenues Over (Under) Expenditures	<u>(857,105)</u>	<u>(973,055)</u>	<u>(847,519)</u>	<u>125,536</u>
Other Financing Sources (Uses):				
Transfers in	875,000	775,000	775,000	-
Transfers out	<u>(42,000)</u>	<u>(42,000)</u>	<u>(42,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>833,000</u>	<u>733,000</u>	<u>733,000</u>	<u>-</u>
Net Change in Fund Balances	(24,105)	(240,055)	(114,519)	125,536
Fund Balances - July 1	<u>462,653</u>	<u>462,653</u>	<u>462,653</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 438,548</u>	<u>\$ 222,598</u>	<u>\$ 348,134</u>	<u>\$ 125,536</u>

City of Zeeland, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
State shared revenues	118,500	118,500	113,759	(4,741)
Charges for services	2,000	2,000	150	(1,850)
Interest	5,000	5,000	4,340	(660)
Other	-	-	2,858	2,858
Total Revenues	<u>125,500</u>	<u>125,500</u>	<u>121,107</u>	<u>(4,393)</u>
Expenditures:				
Current:				
Public Works:				
Construction	15,000	104,000	66,305	37,695
Surface maintenance	184,250	194,250	173,256	20,994
Off-surface maintenance	27,180	27,180	18,313	8,867
Storm and drainage	34,400	34,400	31,292	3,108
Traffic services	33,180	33,180	32,990	190
Winter maintenance	92,550	80,550	74,578	5,972
Administration	32,650	32,650	30,315	2,335
Engineering	5,000	11,000	9,971	1,029
Record keeping	13,400	13,800	12,658	1,142
Total Public Expenditures	<u>437,610</u>	<u>531,010</u>	<u>449,678</u>	<u>81,332</u>
Excess Of Revenues Over (Under) Expenditures	<u>(312,110)</u>	<u>(405,510)</u>	<u>(328,571)</u>	<u>76,939</u>
Other Financing Sources (Uses):				
Transfers in	195,000	235,000	235,058	(58)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>195,000</u>	<u>235,000</u>	<u>235,058</u>	<u>(58)</u>
Net Change in Fund Balances	(117,110)	(170,510)	(93,513)	76,881
Fund Balances - July 1	<u>271,170</u>	<u>271,170</u>	<u>271,170</u>	-
Fund Balances - June 30	<u>\$ 154,060</u>	<u>\$ 100,660</u>	<u>\$ 177,657</u>	<u>\$ 76,881</u>

City of Zeeland, Michigan
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2006

NOTE - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end. Non-appropriated budgets are adopted for the capital projects, enterprise, and internal service funds.

In February of each year, all department heads of the city submit requests for appropriations for each activity for which they are responsible to the budget officer so that a budget may be prepared. On or before March 31, the proposed budget is presented to the City Council for review. The City Council holds study sessions and public hearings and a final budget must be prepared and adopted no later than June 30.

In addition to adopting the annual operating budget, the City Council annually reviews and approves the Capital Improvement Program (CIP). The CIP is a six-year plan for capital project expenditures and anticipated revenue sources. Expenditures and revenues for these projects are budgeted in the appropriate fund.

The appropriated budget is prepared by fund, function, department and activity (i.e. treasurer, city hall, police patrol). Expenditures may not legally exceed budget appropriations at the activity level within the fund, department and activity. Department heads may adjust line items within the activity, however, only the City Council has the authority to amend the total activity budget. Transfers of appropriations between activities require approval of the City Council. A transfer of cash from one fund to another requires a vote of not less than five members of the City Council. Appropriated budgets are amended from time to time throughout the course of the fiscal year by supplementary resolutions approved by a majority vote of the City Council.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

B. Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the city incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

Budget Items	Budget Appropriation	Actual Expenditure
General Fund - City manager	\$ 146,400	\$ 147,881
General Fund - Accounting	103,460	103,570
General Fund - Attorney	122,100	123,106
General Fund - Clerk	138,950	140,210
General Fund - Treasurer	59,660	60,068
General Fund - Other	5,000	12,814
Major Street Fund - Off-surface maintenance	35,950	37,001
Major Street Fund - Traffic services	55,885	56,820

Supplemental Data

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are established to account for the proceeds of specific revenue sources other than expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

Parking System Fund--was established by Ordinance No. 249 as amended by Ordinance No. 307.

CDBG Grant--was established to account for grant revenues and expenditures related to the Gentex infrastructure improvements partially funded with CDBG grant monies.

Brownfield Development Authority Fund--was established to account for administrative revenues and expenditures related to future Brownfield Development Authority tax increment financing projects.

Community Center--was established to account for building rental revenue received from the public for meetings, banquets and other community related events. Monies expended from this fund are used for Community Center purposes.

Library Fund--was established for the purpose of receiving restricted state revenue sharing, library penal fines, etc. Monies expended from this fund must be for authorized library purposes.

Legal Contingency--was established to account for out of the ordinary legal expenditures the city may incur throughout the fiscal year.

Shopping Area Redevelopment Board Fund--was established to account for the economic development activities in the downtown area.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources and payment of principal and interest of: 1) general obligation bonds from governmental resources; 2) Michigan transportation bonds from state shared motor vehicle revenues; and 3) special assessment bonds from special assessment levies backed by the city's governmental commitment.

Michigan Transportation Fund (M.T.F.)--to account for the current payment of principal and interest of 1993 Michigan Transportation Funds Bonds, issued for street improvements and repaid from state shared gas and weight tax revenues.

Building Authority General Obligation Debt--to account for the payment of interest and principal on long-term debt. Its assets are used for the redemption of Building Authority Bonds issued specifically for capital projects financed by the Zeeland Building Authority. In 1998, \$1,400,000 of Building Authority Bonds were issued to finance the additions and improvements to City Hall and the construction of a storage building for the street department.

Library General Obligation Debt--to account for the current payment of principal and interest on 1993 and 1994 unlimited tax general obligation bonds. In 1993, \$2,000,000 of general obligation bonds were issued to finance part of the cost of constructing a library/community center. In 1994, an additional \$400,000 of general obligation bonds were issued for this same purpose.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Improvement Fund--this fund is used to account for the purchase and/or construction of capital facilities budgeted in the current year of the city's 6-Year Capital Improvement Program which are not accounted for by proprietary funds, trust funds, projects financed through special assessments, and street construction/improvements financed by Act 51 funds.

City Park Improvement Fund--this fund accounts for monies set aside for future improvements to all city parks.

Capital Projects (S.A. Districts) Fund--this fund accounts for the transactions of the construction phase of capital projects financed by special assessments, which special assessments have been financed with general purpose monies of the city or special assessment debt with government commitment. Capital projects and/or special assessment districts which have been financed by an enterprise fund are accounted for in the enterprise fund. Special assessment receivables are accounted for in this fund when financed by general purpose monies of the city.

City Building Fund--this fund accounts for the construction phase of the renovation of City Hall and the construction of a storage building for the street department. This project is financed with Building Authority bond monies and general city monies.

Residential Improvement Fund--this fund was set up to accumulate monies for the purpose of purchasing, demolishing and improving substandard residential property.

City of Zeeland, Michigan
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Parking System	CDBG Grant	Brownfield Development Authority	Community Center	Library	Legal Contingency	Shopping Area Redevelopment Board	Total
ASSETS								
Cash and investments	\$ 18,703	\$ 170,499	\$ 1,024	\$ 12,986	\$ 121,599	\$ 205,700	\$ 32,697	\$ 563,208
Receivables:								
Accounts	-	-	-	-	50,000	3,000	-	53,000
Interest	31	355	2	26	62	640	159	1,275
Due from other governments	-	291,893	-	-	5,556	-	-	297,449
Prepaid items	172	-	-	10	97	-	-	279
TOTAL ASSETS	\$ 18,906	\$ 462,747	\$ 1,026	\$ 13,022	\$ 177,314	\$ 209,340	\$ 32,856	\$ 915,211
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 9,637	\$ 282,947	\$ -	\$ 704	\$ 4,958	\$ -	\$ 8	\$ 298,254
Accrued payroll	566	-	-	576	5,012	-	-	6,154
Total Liabilities	10,203	282,947	-	1,280	9,970	-	8	304,408
Fund Balances:								
Reserved for prepaid items	172	-	-	10	97	-	-	279
Reserved for library	-	-	-	-	31,966	-	-	31,966
Reserved for debt service	-	-	-	-	-	-	-	-
Reserved for capital projects	-	-	-	-	-	-	-	-
Reserved for perpetual care	-	-	-	-	-	-	-	-
Unreserved	8,531	179,800	1,026	11,732	135,281	209,340	32,848	578,558
Total Fund Balances	8,703	179,800	1,026	11,742	167,344	209,340	32,848	610,803
Total Liabilities and Fund Balances	\$ 18,906	\$ 462,747	\$ 1,026	\$ 13,022	\$ 177,314	\$ 209,340	\$ 32,856	\$ 915,211

Debt Service Funds				Capital Projects Funds						Permanent Fund	Total Nonmajor Governmental Funds
1993 M.T.F. Act 175	1998 Building Authority G.O. Debt	Library Debt	Total	Capital Improvement	City Park Improvement	Capital Projects S.A. Districts	City Building	Residential Improvement	Total	Perpetual Care	
\$ 3,794	\$ 1,846	\$ 103,921	\$ 109,561	\$ 158,509	\$ 99,571	\$ -	\$ 2,282,756	\$ 119,922	\$ 2,660,758	\$ 878,649	\$ 4,212,176
-	-	-	-	-	-	-	-	-	-	-	53,000
20	9	532	561	708	409	-	6,094	582	7,793	4,539	14,168
-	-	-	-	-	-	-	-	-	-	-	297,449
-	-	-	-	-	-	-	-	-	-	-	279
<u>\$ 3,814</u>	<u>\$ 1,855</u>	<u>\$ 104,453</u>	<u>\$ 110,122</u>	<u>\$ 159,217</u>	<u>\$ 99,980</u>	<u>\$ -</u>	<u>\$ 2,288,850</u>	<u>\$ 120,504</u>	<u>\$ 2,668,551</u>	<u>\$ 883,188</u>	<u>\$ 4,577,072</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,339	\$ -	\$ 72,339	\$ -	\$ 370,593
-	-	-	-	-	-	-	-	-	-	-	6,154
-	-	-	-	-	-	-	72,339	-	72,339	-	376,747
-	-	-	-	-	-	-	-	-	-	-	279
-	-	-	-	-	-	-	-	-	-	-	31,966
-	-	104,453	104,453	-	-	-	-	-	-	-	104,453
-	-	-	-	-	-	-	1,770,206	-	1,770,206	-	1,770,206
-	-	-	-	-	-	-	-	-	-	883,188	883,188
<u>3,814</u>	<u>1,855</u>	<u>-</u>	<u>5,669</u>	<u>159,217</u>	<u>99,980</u>	<u>-</u>	<u>446,305</u>	<u>120,504</u>	<u>826,006</u>	<u>-</u>	<u>1,410,233</u>
<u>3,814</u>	<u>1,855</u>	<u>104,453</u>	<u>110,122</u>	<u>159,217</u>	<u>99,980</u>	<u>-</u>	<u>2,216,511</u>	<u>120,504</u>	<u>2,596,212</u>	<u>883,188</u>	<u>4,200,325</u>
<u>\$ 3,814</u>	<u>\$ 1,855</u>	<u>\$ 104,453</u>	<u>\$ 110,122</u>	<u>\$ 159,217</u>	<u>\$ 99,980</u>	<u>\$ -</u>	<u>\$ 2,288,850</u>	<u>\$ 120,504</u>	<u>\$ 2,668,551</u>	<u>\$ 883,188</u>	<u>\$ 4,577,072</u>

City of Zeeland, Michigan
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2006

	Parking System	CDBG Grant	Brownfield Development Authority	Community Center	Library	Legal Contingency	Shopping Area Redevelopment Board	Total
Revenues:								
Taxes	\$ -	\$ -	\$ 21,245	\$ -	\$ -	\$ -	\$ -	\$ 21,245
Federal grants	-	411,991	-	-	-	-	-	411,991
State shared revenues	-	-	-	-	11,070	-	-	11,070
Local unit contributions	-	-	-	-	243,453	-	-	243,453
Charges for services	-	-	-	-	10,352	-	-	10,352
Fines and forfeitures	2,765	-	-	-	21,212	-	-	23,977
Interest and rent	39	3,651	517	23,930	2,164	2,840	770	33,911
Other	26,118	-	-	-	28,694	78,403	-	133,215
Total Revenues	28,922	415,642	21,762	23,930	316,945	81,243	770	889,214
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public works	121,936	455,884	-	-	-	-	-	577,820
Community and economic development	-	-	21,245	-	-	-	117	21,362
Recreation and culture	-	-	-	187,646	590,720	-	-	778,366
Capital outlay	-	-	-	-	-	-	-	-
Debt service								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total Expenditures	121,936	455,884	21,245	187,646	590,720	-	117	1,377,548
Excess of Revenues Over (Under) Expenditures	(93,014)	(40,242)	517	(163,716)	(273,775)	81,243	653	(488,334)
Other Financing Sources (Uses):								
Bonds issued	-	-	-	-	-	-	-	-
Discount on bonds issued	-	-	-	-	-	-	-	-
Proceeds - sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	100,000	-	-	140,000	255,000	-	-	495,000
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	100,000	-	-	140,000	255,000	-	-	495,000
Net Change in Fund Balances	6,986	(40,242)	517	(23,716)	(18,775)	81,243	653	6,666
Fund Balances - July 1	1,717	220,042	509	35,458	186,119	128,097	32,195	604,137
Fund Balances - June 30	\$ 8,703	\$ 179,800	\$ 1,026	\$ 11,742	\$ 167,344	\$ 209,340	\$ 32,848	\$ 610,803

Debt Service Funds				Capital Projects Funds						Permanent Fund	Total Nonmajor Governmental Funds
1993 M.T.F. Act 175	1998 Building Authority G.O. Debt	Library Debt	Total	Capital Improvement	City Park Improvement	Capital Projects S.A. Districts	City Building	Residential Improvement	Total	Perpetual Care	
\$ -	\$ -	\$ 190,872	\$ 190,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 212,117
-	-	-	-	-	-	-	-	-	-	-	411,991
-	-	-	-	-	-	-	-	-	-	-	11,070
-	-	-	-	-	-	-	-	-	-	-	243,453
-	-	-	-	-	-	-	-	-	-	32,790	43,142
-	-	-	-	-	-	-	-	-	-	-	23,977
121	23	4,650	4,794	3,094	1,763	-	38,764	2,822	46,443	21,599	106,747
-	-	-	-	-	15,000	-	-	-	15,000	-	148,215
121	23	195,522	195,666	3,094	16,763	-	38,764	2,822	61,443	54,389	1,200,712
-	-	-	-	-	-	-	-	-	-	49,262	49,262
-	-	-	-	-	-	-	-	-	-	-	577,820
-	-	-	-	-	-	-	-	-	-	-	21,362
-	-	-	-	-	-	-	-	-	-	-	778,366
-	-	-	-	88,825	-	-	313,041	-	401,866	202,244	604,110
35,000	60,000	145,000	240,000	-	-	-	-	-	-	-	240,000
6,763	52,705	45,440	104,908	-	-	-	-	-	-	-	104,908
41,763	112,705	190,440	344,908	88,825	-	-	313,041	-	401,866	251,506	2,375,828
(41,642)	(112,682)	5,082	(149,242)	(85,731)	16,763	-	(274,277)	2,822	(340,423)	(197,117)	(1,175,116)
-	-	-	-	-	-	-	2,100,000	-	2,100,000	-	2,100,000
-	-	-	-	-	-	-	(20,983)	-	(20,983)	-	(20,983)
-	-	-	-	-	-	-	300,000	-	300,000	-	300,000
42,000	113,000	-	155,000	110,000	-	-	-	-	110,000	-	760,000
-	-	-	-	-	-	(58)	-	-	(58)	-	(58)
42,000	113,000	-	155,000	110,000	-	(58)	2,379,017	-	2,488,959	-	3,138,959
358	318	5,082	5,758	24,269	16,763	(58)	2,104,740	2,822	2,148,536	(197,117)	1,963,843
3,456	1,537	99,371	104,364	134,948	83,217	58	111,771	117,682	447,676	1,080,305	2,236,482
\$ 3,814	\$ 1,855	\$ 104,453	\$ 110,122	\$ 159,217	\$ 99,980	\$ -	\$ 2,216,511	\$ 120,504	\$ 2,596,212	\$ 883,188	\$ 4,200,325

City of Zeeland, Michigan
PARKING SYSTEM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 2,765	\$ 2,765
Interest and rent	500	500	39	(461)
Other	<u>22,000</u>	<u>22,000</u>	<u>26,118</u>	<u>4,118</u>
Total Revenues	22,500	22,500	28,922	6,422
Expenditures:				
Current:				
Public works	<u>115,280</u>	<u>116,330</u>	<u>121,936</u>	<u>(5,606)</u>
Excess of Revenues Over (Under) Expenditures	(92,780)	(93,830)	(93,014)	12,028
Other Financing Sources (Uses):				
Transfers in	<u>90,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net Change in Fund Balances	(2,780)	6,170	6,986	12,028
Fund Balances - July 1	<u>1,717</u>	<u>1,717</u>	<u>1,717</u>	<u>-</u>
Fund Balances - June 30	<u>\$ (1,063)</u>	<u>\$ 7,887</u>	<u>\$ 8,703</u>	<u>\$ 12,028</u>

City of Zeeland, Michigan
CDBG GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Federal grants	\$ 989,250	\$ 1,035,000	\$ 411,991	\$ (623,009)
Interest and rent	-	-	3,651	3,651
Total Revenues	989,250	1,035,000	415,642	(619,358)
Expenditures:				
Current:				
Public works	1,142,000	1,225,900	455,884	770,016
Net Change in Fund Balances	(152,750)	(190,900)	(40,242)	(1,389,374)
Fund Balances - July 1	220,042	220,042	220,042	-
Fund Balances - June 30	<u>\$ 67,292</u>	<u>\$ 29,142</u>	<u>\$ 179,800</u>	<u>\$(1,389,374)</u>

City of Zeeland, Michigan
BROWNFIELD DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
Revenues:				
Taxes	\$ 21,000	\$ 21,000	\$ 21,245	\$ 245
Interest and rent	-	-	517	517
Total Revenues	21,000	21,000	21,762	762
Expenditures:				
Current:				
Community and economic development	-	21,300	21,245	(55)
Net Change in Fund Balances	21,000	(300)	517	817
Fund Balances - July 1	509	509	509	-
Fund Balances - June 30	<u>\$ 21,509</u>	<u>\$ 209</u>	<u>\$ 1,026</u>	<u>\$ 817</u>

City of Zeeland, Michigan
COMMUNITY CENTER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Revenues:				
Interest and rent	\$ 28,000	\$ 28,000	\$ 23,930	\$ (4,070)
Expenditures:				
Current:				
Recreation and culture	<u>184,750</u>	<u>193,250</u>	<u>187,646</u>	<u>5,604</u>
Excess of Revenues Over (Under) Expenditures	(156,750)	(165,250)	(163,716)	(9,674)
Other Financing Sources (Uses):				
Transfers in	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	<u>-</u>
Net Change in Fund Balances	(16,750)	(25,250)	(23,716)	(9,674)
Fund Balances - July 1	<u>35,458</u>	<u>35,458</u>	<u>35,458</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 18,708</u>	<u>\$ 10,208</u>	<u>\$ 11,742</u>	<u>\$ (9,674)</u>

City of Zeeland, Michigan
LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
State shared revenues	\$ 13,000	\$ 13,000	\$ 11,070	\$ (1,930)
Local unit contributions	216,700	216,700	243,453	26,753
Charges for services	8,000	8,000	10,352	2,352
Fines and forfeitures	18,000	18,000	21,212	3,212
Interest and rent	4,000	4,000	2,164	(1,836)
Other	<u>2,000</u>	<u>22,000</u>	<u>28,694</u>	<u>6,694</u>
Total Revenues	261,700	281,700	316,945	35,245
Expenditures:				
Current:				
Recreation and culture	<u>569,650</u>	<u>592,750</u>	<u>590,720</u>	<u>2,030</u>
Excess of Revenues Over (Under) Expenditures	(307,950)	(311,050)	(273,775)	33,215
Other Financing Sources (Uses):				
Transfers in	<u>255,000</u>	<u>255,000</u>	<u>255,000</u>	<u>-</u>
Net Change in Fund Balances	(52,950)	(56,050)	(18,775)	33,215
Fund Balances - July 1	<u>186,119</u>	<u>186,119</u>	<u>186,119</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 133,169</u>	<u>\$ 130,069</u>	<u>\$ 167,344</u>	<u>\$ 33,215</u>

City of Zeeland, Michigan
LEGAL CONTINGENCY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
Revenues:				
Interest and rent	\$ 3,000	\$ 3,000	\$ 2,840	\$ (160)
Other	-	73,000	78,403	5,403
Total Revenues	3,000	76,000	81,243	5,243
Expenditures:				
Current:				
General government	-	-	-	-
Net Change in Fund Balances	3,000	76,000	81,243	5,243
Fund Balances - July 1	128,097	128,097	128,097	-
Fund Balances - June 30	<u>\$ 131,097</u>	<u>\$ 204,097</u>	<u>\$ 209,340</u>	<u>\$ 5,243</u>

City of Zeeland, Michigan
SHOPPING AREA REDEVELOPMENT BOARD SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Revenues:				
Interest and rent	\$ 200	\$ 200	\$ 770	\$ 570
Expenditures:				
Current:				
Community and economic development	<u>3,500</u>	<u>3,500</u>	<u>117</u>	<u>3,383</u>
Net Change in Fund Balances	(3,300)	(3,300)	653	(2,813)
Fund Balances - July 1	<u>32,195</u>	<u>32,195</u>	<u>32,195</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 28,895</u>	<u>\$ 28,895</u>	<u>\$ 32,848</u>	<u>\$ (2,813)</u>

City of Zeeland, Michigan
1993 M.T.F. ACT 175 DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
Revenues:				
Interest and rent	\$ -	\$ -	\$ 121	\$ 121
Expenditures:				
Debt service				
Principal	35,000	35,000	35,000	-
Interest	6,763	6,763	6,763	-
Total Expenditures	41,763	41,763	41,763	-
Excess of Revenues Over (Under) Expenditures	(41,763)	(41,763)	(41,642)	121
Other Financing Sources (Uses):				
Transfers in	42,000	42,000	42,000	-
Net Change in Fund Balances	237	237	358	121
Fund Balances - July 1	3,456	3,456	3,456	-
Fund Balances - June 30	\$ 3,693	\$ 3,693	\$ 3,814	\$ 121

City of Zeeland, Michigan
1998 BUILDING AUTHORITY G.O. DEBT DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
Revenues:				
Interest and rent	\$ -	\$ -	\$ 23	\$ 23
Expenditures:				
Debt service				
Principal	60,000	60,000	60,000	-
Interest	52,705	52,705	52,705	-
Total Expenditures	112,705	112,705	112,705	-
Excess of Revenues Over (Under) Expenditures	(112,705)	(112,705)	(112,682)	23
Other Financing Sources (Uses):				
Transfers in	113,000	113,000	113,000	-
Net Change in Fund Balances	295	295	318	23
Fund Balances - July 1	1,537	1,537	1,537	-
Fund Balances - June 30	\$ 1,832	\$ 1,832	\$ 1,855	\$ 23

City of Zeeland, Michigan
LIBRARY DEBT DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
Revenues:				
Taxes	\$ 189,000	\$ 189,000	\$ 190,872	\$ 1,872
Interest and rent	5,000	5,000	4,650	(350)
Total Revenues	<u>194,000</u>	<u>194,000</u>	<u>195,522</u>	<u>1,522</u>
Expenditures:				
Debt service				
Principal	145,000	145,000	145,000	-
Interest	45,690	45,690	45,440	250
Total Expenditures	<u>190,690</u>	<u>190,690</u>	<u>190,440</u>	<u>250</u>
Net Change in Fund Balances	3,310	3,310	5,082	1,272
Fund Balances - July 1	<u>99,371</u>	<u>99,371</u>	<u>99,371</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 102,681</u>	<u>\$ 102,681</u>	<u>\$ 104,453</u>	<u>\$ 1,272</u>

Supplemental Data

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Building Maintenance Fund--this fund is used to account for the expense of building operations and maintenance of all city buildings.

Motor Pool Fund--this fund is used to account for the rental of motor vehicles and machinery and equipment to other departments and related costs.

Health Care Self Insurance Fund--this fund is used to account for costs associated for the city's health insurance program. All claims, premiums and administrative expenses are paid from this fund.

City of Zeeland, Michigan
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2006

	<u>Building Maintenance</u>	<u>Motor Pool</u>	<u>Health Care Self-Insurance</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 61,617	\$ 1,563,353	\$ 781,815	\$ 2,406,785
Receivables:				
Accounts	-	-	210	210
Interest	70	7,232	-	7,302
Prepaid items	<u>490</u>	<u>268</u>	<u>-</u>	<u>758</u>
 Total Current Assets	 <u>62,177</u>	 <u>1,570,853</u>	 <u>782,025</u>	 <u>2,415,055</u>
 Capital assets:				
Machinery and equipment	-	2,738,061	-	2,738,061
Less accumulated depreciation	<u>-</u>	<u>(1,154,331)</u>	<u>-</u>	<u>(1,154,331)</u>
 Total Capital Assets	 <u>-</u>	 <u>1,583,730</u>	 <u>-</u>	 <u>1,583,730</u>
 Total Assets	 <u>62,177</u>	 <u>3,154,583</u>	 <u>782,025</u>	 <u>3,998,785</u>
 LIABILITIES				
Current Liabilities:				
Accounts payable	17,419	8,180	40,000	65,599
Accrued payroll	<u>1,858</u>	<u>1,034</u>	<u>-</u>	<u>2,892</u>
 Total Current Liabilities	 <u>19,277</u>	 <u>9,214</u>	 <u>40,000</u>	 <u>68,491</u>
 NET ASSETS				
Invested in capital assets, net of related debt	-	1,583,730	-	1,583,730
Unrestricted	<u>42,900</u>	<u>1,561,639</u>	<u>742,025</u>	<u>2,346,564</u>
 Total Net Assets	 <u>\$ 42,900</u>	 <u>\$ 3,145,369</u>	 <u>\$ 742,025</u>	 <u>\$ 3,930,294</u>

City of Zeeland, Michigan
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2006

	Building Maintenance	Motor Pool	Health Care Self-Insurance	Total
Operating Revenues:				
Charges for services	\$ 372,500	\$ 423,840	\$ 1,072,270	\$ 1,868,610
Other revenue	-	339	47,835	48,174
Total Operating Revenues	<u>372,500</u>	<u>424,179</u>	<u>1,120,105</u>	<u>1,916,784</u>
Operating Expenses:				
Supplies and other operating expenses	433,767	240,163	799,541	1,473,471
General and administrative	-	-	26,103	26,103
Depreciation	-	179,380	-	179,380
Total Operating Expenses	<u>433,767</u>	<u>419,543</u>	<u>825,644</u>	<u>1,678,954</u>
Operating Income	<u>(61,267)</u>	<u>4,636</u>	<u>294,461</u>	<u>237,830</u>
Nonoperating Revenues (Expenses)				
Interest earned	1,649	38,631	13,845	54,125
Gain on sale of capital assets	-	31,329	-	31,329
Total Nonoperating Revenues (Expenses)	<u>1,649</u>	<u>69,960</u>	<u>13,845</u>	<u>85,454</u>
Change in Net Assets	(59,618)	74,596	308,306	323,284
Net Assets - July 1	<u>102,518</u>	<u>3,070,773</u>	<u>433,719</u>	<u>3,607,010</u>
Net Assets - June 30	<u>\$ 42,900</u>	<u>\$ 3,145,369</u>	<u>\$ 742,025</u>	<u>\$ 3,930,294</u>

City of Zeeland, Michigan
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2006

	<u>Building Maintenance</u>	<u>Motor Pool</u>	<u>Health Care Self-Insurance</u>	<u>Total</u>
Cash Flows From Operating Activities:				
Payments to suppliers	\$ (326,341)	\$ (155,198)	\$ (825,644)	\$ (1,307,183)
Payments to employees	(97,640)	(60,477)	-	(158,117)
Received from interfund charges	372,500	423,840	1,072,270	1,868,610
Other receipts (payments)	<u>-</u>	<u>339</u>	<u>47,625</u>	<u>47,964</u>
Net Cash Provided (Used) By Operating Activities	<u>(51,481)</u>	<u>208,504</u>	<u>294,251</u>	<u>451,274</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(164,560)	-	(164,560)
Proceeds from sale of capital assets	<u>-</u>	<u>33,235</u>	<u>-</u>	<u>33,235</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>-</u>	<u>(131,325)</u>	<u>-</u>	<u>(131,325)</u>
Cash Flows From Investing Activities:				
Interest received on investments	<u>1,950</u>	<u>36,204</u>	<u>13,845</u>	<u>51,999</u>
Net Increase (Decrease) in Cash and Investments	(49,531)	113,383	308,096	371,948
Cash and Investments - July 1	<u>111,148</u>	<u>1,449,970</u>	<u>473,719</u>	<u>2,034,837</u>
Cash and Investments - June 30	<u>\$ 61,617</u>	<u>\$ 1,563,353</u>	<u>\$ 781,815</u>	<u>\$ 2,406,785</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:				
Operating income	\$ (61,267)	\$ 4,636	\$ 294,461	\$ 237,830
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	179,380	-	179,380
Change in assets and liabilities:				
Receivables	-	-	(210)	(210)
Prepaid items	7,778	24,315	-	32,093
Accounts payable	1,464	(14)	-	1,450
Accrued and other liabilities	<u>544</u>	<u>187</u>	<u>-</u>	<u>731</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (51,481)</u>	<u>\$ 208,504</u>	<u>\$ 294,251</u>	<u>\$ 451,274</u>

STATISTICAL SECTION

This part of the City of Zeeland's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health

Contents

	Page
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</i>	51-58
Revenue Capacity	
<i>These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property taxes.</i>	59-65
Debt Capacity	
<i>These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.</i>	66-74
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.</i>	75-76
Operating Information	
<i>These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.</i>	77-81

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

City of Zeeland
NET ASSETS BY COMPONENT
2003¹ Through 2006
(Accrual Basis of Accounting)

Table 1

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Investment in capital assets, net of related debt	\$ 13,494,266	\$ 15,634,224	\$ 16,797,135	\$ 17,811,055
Restricted	1,047,786	1,103,472	1,205,899	1,019,607
Unrestricted	6,195,770	4,864,250	5,435,110	6,194,063
Total Governmental Activities Net Assets	\$ 20,737,822	\$ 21,601,946	\$ 23,438,144	\$ 25,024,725
Business-type activities				
Investment in capital assets, net of related debt	\$ 28,276,427	\$ 29,816,664	\$ 31,051,005	\$ 36,715,065
Restricted	1,824,232	1,649,895	1,649,895	1,567,500
Unrestricted	21,901,828	23,499,945	25,788,061	24,779,492
Total Business-type activities net assets	\$ 52,002,487	\$ 54,966,504	\$ 58,488,961	\$ 63,062,057
Primary government				
Investment in capital assets, net of related debt	\$ 41,770,693	\$ 45,450,888	\$ 47,848,140	\$ 54,526,120
Restricted	2,872,018	2,753,367	2,855,794	6,587,107
Unrestricted	28,097,598	28,364,195	31,223,171	30,973,555
Total primary government net assets	\$ 72,740,309	\$ 76,568,450	\$ 81,927,105	\$ 92,086,782

¹ 2003 Is First Year Available

City of Zeeland
CHANGES IN NET ASSETS
2003¹ Through 2006
(Accrual Basis of Accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 1,167,596	\$ 1,491,032	\$ 1,464,461	\$ 1,551,802
Public safety	1,425,273	1,569,481	1,596,297	1,566,566
Public works	1,414,933	1,678,934	1,653,600	1,757,575
Community and economic development	87,308	81,503	69,799	87,883
Recreation and culture	999,616	911,645	979,687	1,156,064
Interest on long-term debt	161,393	132,072	122,436	149,395
Total governmental activities	<u>\$ 5,256,119</u>	<u>\$ 5,864,667</u>	<u>\$ 5,886,280</u>	<u>\$ 6,269,285</u>
Business-type activities				
Electric utility	\$ 13,528,626	\$ 13,623,753	\$ 15,525,207	\$ 17,218,625
Water utility	2,568,071	2,639,329	2,611,241	2,622,554
Clean water utility	1,148,079	1,200,559	1,154,119	1,235,589
Total business-type activities	<u>17,244,776</u>	<u>17,463,641</u>	<u>19,290,567</u>	<u>21,076,768</u>
Total primary government expenses	<u>\$ 22,500,895</u>	<u>\$ 23,328,308</u>	<u>\$ 25,176,847</u>	<u>\$ 27,346,053</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 90,086	\$ 72,949	\$ 135,206	\$ 199,318
Public safety	43,351	72,281	172,126	56,026
Public works	6,715	12,383	24,491	29,458
Community and economic development	13,900	18,495	19,352	22,150
Recreation and culture	48,041	57,820	56,750	55,074
Operating grants and contributions	687,884	688,041	668,186	706,947
Capital grants and contributions	216,660	101,079	1,153,192	835,413
Total governmental activities	<u>\$ 1,106,637</u>	<u>\$ 1,023,048</u>	<u>\$ 2,229,303</u>	<u>\$ 1,904,386</u>
Business-type activities				
Charges for services:				
Electric utility	\$ 15,862,628	\$ 15,903,445	\$ 17,133,817	\$ 20,153,855
Water utility	3,017,125	2,911,415	3,136,499	3,254,846
Clean water utility	1,412,044	1,406,202	1,569,012	1,604,482
Capital grants and contributions	323,117	407,909	530,834	287,971
Total business-type activities	<u>20,614,914</u>	<u>20,628,971</u>	<u>22,370,162</u>	<u>25,301,154</u>
Total primary government program revenues	<u>\$ 21,721,551</u>	<u>\$ 21,652,019</u>	<u>\$ 24,599,465</u>	<u>\$ 27,205,540</u>
Net (Expense) Revenue				
Governmental activities	\$ (4,149,482)	\$ (4,841,619)	\$ (3,656,977)	\$ (4,364,899)
Business-type activities	<u>3,370,138</u>	<u>3,165,330</u>	<u>3,079,595</u>	<u>4,224,386</u>
Total primary government net (expense) revenue	<u>\$ (779,344)</u>	<u>\$ (1,676,289)</u>	<u>\$ (577,382)</u>	<u>\$ (140,513)</u>

(Continued)

Table 2

	Fiscal Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	\$ 4,123,781	\$ 4,412,908	\$ 4,295,400	\$ 4,387,708
State shared revenue	745,664	578,090	571,833	563,245
Investment earnings	192,169	161,918	199,875	278,159
Gain on sale of capital assets	141,822	79,719	8,450	322,829
Other	58,322	101,424	27,742	22,249
Contributions to permanent funds	38,815	29,755	45,875	32,790
Transfers - internal activities	346,704	341,929	344,000	344,500
Total governmental activities	<u>5,647,277</u>	<u>5,705,743</u>	<u>5,493,175</u>	<u>5,951,480</u>
Business-type activities				
Investment earnings	550,719	58,342	731,551	589,708
Gain on sale of capital assets	(14,525)	17,871	2,361	43,440
Other	(176,703)	64,403	52,950	60,062
Transfers - internal activities	(346,704)	(341,929)	(344,000)	(344,500)
Total business-type activities	<u>12,787</u>	<u>(201,313)</u>	<u>442,862</u>	<u>348,710</u>
Total primary government	<u>\$ 5,660,064</u>	<u>\$ 5,504,430</u>	<u>\$ 5,936,037</u>	<u>\$ 6,300,190</u>
Changes in Net Assets				
Governmental activities	\$ 1,497,795	\$ 864,124	\$ 1,836,198	\$ 1,586,581
Business-type activities	3,382,925	2,964,017	3,522,457	4,573,096
Total primary government	<u>\$ 4,880,720</u>	<u>\$ 3,828,141</u>	<u>\$ 5,358,655</u>	<u>\$ 6,159,677</u>

¹ 2003 Is First Year Available

City of Zeeland
GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Table 3

Fiscal Year Ended June 30	General Property Tax	Street Millage	Brownfield Development Authority	Debt Service
1997	\$ 2,345,776	\$ -	\$ -	\$ 175,730
1998	2,556,276	-	-	191,434
1999	2,794,853	421,002 ¹	-	200,683
2000	3,068,152	495,975	-	210,791
2001	3,148,587	510,422	-	192,770
2002	2,968,779	575,150	-	217,216
2003	3,289,293	653,684 ²	-	180,804
2004	4,210,780	-	-	202,128
2005	4,108,392	-	-	187,008
2006	4,175,591	-	21,245 ¹	190,872

¹ First year of tax

² Last year of tax

City of Zeeland, Michigan
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	Fiscal			
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General Fund				
Reserved	\$ 35,377	\$ 9,014	\$ 38,341	\$ 36,871
Unreserved	<u>775,086</u>	<u>925,436</u>	<u>1,105,298</u>	<u>1,237,073</u>
Total General Fund	<u>\$ 810,463</u>	<u>\$ 934,450</u>	<u>\$ 1,143,639</u>	<u>\$ 1,273,944</u>
All Other Governmental Funds				
Reserved	\$ 634,557	\$ 686,670	\$ 731,606	\$ 835,511
Unreserved, reported in:				
Special Revenue Funds	904,058	1,170,495	831,322	1,930,743
Debt Service Funds	11,853	12,378	6,500	16,375
Capital Projects Funds	<u>312,404</u>	<u>724,787</u>	<u>1,739,205</u>	<u>1,010,106</u>
Total All Other Governmental Funds	<u>\$ 1,862,872</u>	<u>\$ 2,594,330</u>	<u>\$ 3,308,633</u>	<u>\$ 3,792,735</u>

Year					Table 4
2001	2002	2003	2004	2005	2006
\$ 24,134	\$ 10,360	\$ 15,172	\$ 31,693	\$ 56,239	\$ 4,828
<u>1,063,686</u>	<u>1,426,592</u>	<u>1,411,786</u>	<u>1,791,087</u>	<u>1,763,818</u>	<u>2,227,120</u>
<u>\$ 1,087,820</u>	<u>\$ 1,436,952</u>	<u>\$ 1,426,958</u>	<u>\$ 1,822,780</u>	<u>\$ 1,820,057</u>	<u>\$ 2,231,948</u>
\$ 950,098	\$ 1,042,621	\$ 1,088,710	\$ 1,113,599	\$ 1,205,899	\$ 2,792,140
1,655,573	1,069,295	1,843,682	897,372	1,311,737	1,102,301
10,443	12,459	10,094	3,123	4,993	5,669
<u>2,050,111</u>	<u>2,114,303</u>	<u>957,505</u>	<u>650,576</u>	<u>447,676</u>	<u>826,006</u>
<u>\$ 4,666,225</u>	<u>\$ 4,238,678</u>	<u>\$ 3,899,991</u>	<u>\$ 2,664,670</u>	<u>\$ 2,970,305</u>	<u>\$ 4,726,116</u>

City of Zeeland, Michigan
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal			
	1997	1998	1999	2000
Revenues				
Taxes	\$ 2,521,506	\$ 2,747,710	\$ 3,416,538	\$ 3,774,918
Special assessments	139,256	163,054	64,717	113,196
Licenses and permits	65,702	70,718	79,255	73,155
Intergovernmental:				
State	938,662	1,017,926	1,058,971	1,061,851
Grants	80,132	25,633	55,850	310,468
Local unit contributions	161,969	172,597	247,786	181,973
Charges for services	128,916	118,743	146,863	137,912
Fines and forfeitures	47,015	46,144	46,991	52,694
Interest and rentals	234,095	247,138	302,621	336,033
Reimbursements	-	-	-	-
Private Contributions	191,414	138,605	49,012	64,708
Other	19,921	48,644	271,435	31,413
Total Revenues	4,528,588	4,796,912	5,740,039	6,138,321
Expenditures				
General government	811,570	816,985	735,180	780,135
Public safety	745,903	734,687	814,516	972,554
Public works	1,372,985	929,152	2,419,076	1,020,485
Community and economic development	3,250	2,310	2,771	2,542
Recreation and culture	496,011	499,918	598,854	567,904
Insurance and other	460,812	452,190	484,359	533,017
Capital outlay	393,703	427,751	1,046,275	1,754,211
Debt service:				
Principal	375,000	365,000	330,000	200,000
Interest	249,851	225,986	175,263	217,659
Total Expenditures	4,909,085	4,453,979	6,606,294	6,048,507
Excess of Revenues				
Over (Under) Expenditures	(380,497)	342,933	(866,255)	89,814
Other Financing Sources (Uses)				
Bonds issued	-	-	1,372,000	-
Discount on bonds issued	-	-	-	-
Payment to refunding escrow	-	-	-	-
Proceeds- sale of capital assets	-	225,000	-	-
Transfers in	1,715,914	1,998,106	2,507,501	2,361,593
Transfers out	(1,553,671)	(1,710,594)	(2,089,754)	(1,837,000)
Total Other Financing Sources (Uses)	162,243	512,512	1,789,747	524,593
Net Changes in Fund Balances	\$ (218,254)	\$ 855,445	\$ 923,492	\$ 614,407
Debt service as a percentage of noncapital expenditures	13.84%	14.68%	9.09%	9.73%

Year					Table 5
2001	2002	2003	2004	2005	2006
\$ 3,851,779	\$ 3,761,145	\$ 4,123,781	\$ 4,412,908	\$ 4,295,400	\$ 4,387,708
53,271	27,307	27,788	-	-	-
78,243	88,145	79,548	103,610	199,632	91,876
1,117,396	1,101,703	1,151,033	1,021,500	999,132	983,045
25,000	-	6,000	46,416	1,141,804	411,991
192,452	211,748	217,676	222,951	232,226	243,453
165,854	140,267	129,918	132,182	130,967	95,475
39,820	44,679	36,917	56,235	58,076	56,640
494,985	314,451	167,411	164,039	213,725	269,143
-	-	217,272	-	-	-
48,903	27,978	47,882	-	-	-
48,595	107,165	33,882	154,882	66,349	171,659
6,116,298	5,824,588	6,239,108	6,314,723	7,337,311	6,710,990
809,962	805,859	920,553	1,156,122	1,108,848	1,354,763
998,794	1,056,930	1,155,303	1,171,332	1,183,683	1,511,068
2,040,604	2,150,422	1,055,383	2,657,019	2,668,064	2,359,935
2,670	7,260	-	72,161	58,759	87,883
613,941	634,223	621,409	644,478	672,212	949,848
608,183	713,773	850,710	867,041	884,035	54,290
336,022	486,934	2,094,069	596,122	433,058	604,110
220,000	175,000	185,000	230,000	230,000	240,000
184,532	172,309	163,916	131,195	113,540	104,908
5,814,708	6,202,710	7,046,343	7,525,470	7,352,199	7,266,805
301,590	(378,122)	(807,235)	(1,210,747)	(14,888)	(555,815)
-	-	-	1,648,950	-	2,100,000
-	-	-	-	-	(20,983)
-	-	-	(1,570,431)	-	-
-	-	156,200	-	-	300,000
3,674,368	2,221,947	2,055,484	2,626,380	2,593,088	2,114,558
(3,288,593)	(1,922,240)	(1,753,130)	(2,313,651)	(2,295,288)	(1,770,058)
385,775	299,707	458,554	391,248	297,800	2,723,517
\$ 687,365	\$ (78,415)	\$ (348,681)	\$ (819,499)	\$ 282,912	\$ 2,167,702
7.38%	6.08%	7.05%	5.21%	4.97%	5.18%

City of Zeeland, Michigan
STATE EQUALIZED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Ad Valorem Roll
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property			Personal Property		
	Taxable Value	State Equalized Value	Estimated Actual Value	Taxable Value	State Equalized Value	Estimated Actual Value
1997	\$ 119,495,639	\$ 121,886,000	\$ 243,772,000	\$ 40,487,102	\$ 41,367,500	\$ 82,735,000
1998	128,601,266	136,441,000	272,882,000	44,878,318	45,103,850	90,207,700
1999	138,925,187	152,407,600	304,815,200	45,829,000	45,829,000	91,658,000
2000	146,275,373	166,665,000	333,330,000	47,399,000	47,399,000	94,798,000
2001	153,749,163	175,814,200	351,628,400	47,733,900	47,733,900	95,467,800
2002	163,312,393	186,640,200	373,280,400	50,136,800	50,136,800	100,273,600
2003	172,485,944	201,240,400	402,480,800	49,387,300	49,387,300	98,774,600
2004	179,679,963	214,320,600	428,641,200	48,309,000	48,309,000	96,618,000
2005	184,345,185	214,738,800	429,477,600	47,012,900	47,012,900	94,025,800
2006	191,586,140	218,231,500	436,463,000	46,996,300	46,996,300	93,992,600

Source: City of Zeeland

The City is authorized by Charter to levy 15 mills for operations. The maximum allowable millage rate after Headlee Rollback reduction is 14.0390 for 2006.

The City is authorized by vote to levy up to 1 mill for debt. The maximum allowable millage rate after Headlee Rollback rollback is .9912 mills for 2006

Valuations are stated as of the March Board of Review.

Taxable property is assessed initially by the city assessing officials, then equalized by Ottawa County and finally by the State. In accordance with Act 409, P.A. 1965, and Article IX, Section 3 of the Michigan Constitution, State Equalized Value ("SEV") represents 50% of true cash value.

On March 15, 1994, the people of the State of Michigan approved an amendment to the Michigan Constitution. The Amendment and implementing legislation limit the growth in assessments ("capped value") for each parcel of property to the percentage change in State Equalized Value, the rate of inflation, or 5%, whichever is less. When ownership of the parcel of property is transferred as defined by law, the parcel shall be assessed at the applicable proportion of current true cash value. The lower of the "capped value" or SEV is the Taxable Value of each parcel.

State Equalized Value and Taxable Value do not include any value of tax exempt property or property granted abatement under either Act 198, Michigan Public Acts of 1974, as amended ("Act 198") or Act 255, Michigan Public Acts of 1978, as amended ("Act 255"). Such an abatement entitles a facility to exemption from ad valorem property taxes for a period of up to 12 years. In lieu of the property tax, the facility pays a reduced tax.

Table 6

Total Ad Valorem Taxable Property			Tax Rate Mills	Taxable Value as a Percentage of Actual Value
Taxable Value	State Equalized Value	Estimated Actual Value		
\$ 159,982,741	\$ 163,253,500	\$ 326,507,000	13.8500	49.00%
173,479,584	181,544,850	363,089,700	13.8500	47.78%
184,754,187	198,236,600	396,473,200	15.8500	46.60%
193,674,373	214,064,000	428,128,000	15.1000	45.24%
201,483,063	223,548,100	447,096,200	14.8858	45.06%
213,449,193	236,777,000	473,554,000	12.8858	45.07%
221,873,244	250,627,700	501,255,400	12.3852	44.26%
227,988,963	262,629,600	525,259,200	11.3854	43.41%
231,358,085	261,751,700	523,503,400	11.3854	44.19%
238,582,440	265,227,800	530,455,600	11.3854	44.98%

City of Zeeland, Michigan
STATE EQUALIZED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Industrial Facilities Tax Roll
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property - IFT Roll			Personal Property - IFT Roll		
	Taxable Value	State Equalized Value	Estimated Actual Value	Taxable Value	State Equalized Value	Estimated Actual Value
1997	\$ 40,436,000	\$ 40,436,000	\$ 80,872,000	\$ 52,713,000	\$ 52,713,000	\$ 105,426,000
1998	44,829,672	47,310,200	94,620,400	58,484,400	58,484,400	116,968,800
1999	45,516,287	46,845,200	93,690,400	57,533,700	57,533,700	115,067,400
2000	46,143,533	52,944,700	105,889,400	62,482,300	62,482,300	124,964,600
2001	50,346,581	56,382,800	112,765,600	60,537,400	60,537,400	121,074,800
2002	86,734,539	92,007,700	184,015,400	65,644,300	65,644,300	131,288,600
2003	142,466,841	144,436,700	288,873,400	85,681,300	85,681,300	171,362,600
2004	170,406,913	171,737,400	343,474,800	108,673,800	108,673,800	217,347,600
2005	180,511,200	181,423,000	362,846,000	104,846,900	104,846,900	209,693,800
2006	182,998,137	183,296,500	366,593,000	104,268,900	104,268,900	208,537,800

The City is authorized by Charter to levy 15 mills for operations. The maximum allowable millage rate after Headlee Rollback reduction is 14.0390 for 2006.

The City is authorized by vote to levy up to 1 mill for debt. The maximum allowable millage rate after Headlee Rollback rollback is .9912 mills for 2006

Valuations are stated as of the March Board of Review.

Taxable property is assessed initially by the city assessing officials, then equalized by Ottawa County and finally by the State. In accordance with Act 409, P.A. 1965, and Article IX, Section 3 of the Michigan Constitution, State Equalized Value ("SEV") represents 50% of true cash value.

On March 15, 1994, the people of the State of Michigan approved an amendment to the Michigan Constitution. The Amendment and implementing legislation limit the growth in assessments ("capped value") for each parcel of property to the percentage change in State Equalized Value, the rate of inflation, or 5%, whichever is less. When ownership of the parcel of property is transferred as defined by law, the parcel shall be assessed at the applicable proportion of current true cash value. The lower of the "capped value" or SEV is the Taxable Value of each parcel.

State Equalized Value and Taxable Value includes only the value of property granted abatement under either Act 198, Michigan Public Acts of 1974, as amended ("Act 198") or Act 255, Michigan Public Acts of 1978, as amended ("Act 255"). Such an abatement entitles a facility to exemption from ad valorem property taxes for a period of up to 12 years. In lieu of the property tax, the facility pays a reduced tax.

Table 7

Total Taxable Property - IFT Roll			Tax Rate Mills	Taxable Value as a Percentage of Actual Value
Taxable Value	State Equalized Value	Estimated Actual Value		
\$ 93,149,000	\$ 93,149,000	\$ 186,298,000	6.9250	50.00%
103,314,072	105,794,600	211,589,200	6.9250	48.83%
103,049,987	104,378,900	208,757,800	7.9250	49.36%
108,625,833	115,427,000	230,854,000	7.5500	47.05%
110,883,981	116,920,200	233,840,400	7.4429	47.42%
152,378,839	157,652,000	315,304,000	6.4429	48.33%
228,148,141	230,118,000	460,236,000	6.1926	49.57%
279,080,713	280,411,200	560,822,400	5.6927	49.76%
285,358,100	286,269,900	572,539,800	5.6927	49.84%
287,267,037	287,565,400	575,130,800	5.6927	49.95%

City of Zeeland, Michigan
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

Table 8

Fiscal Year Ended June 30 ¹		CITY				SCHOOL			
		Operating	Streets	Debt	Total	Operating	Debt	State Education Tax	Total
1997 ²	H	13.0000	0.0000	0.8500	13.8500	1.0000	5.6300	6.0000	12.6300
1997	NH	13.0000	0.0000	0.8500	13.8500	19.0000	5.6300	6.0000	30.6300
1998	H	13.0000	0.0000	0.8500	13.8500	0.9975	5.6300	6.0000	12.6275
1998	NH	13.0000	0.0000	0.8500	13.8500	18.9975	5.6300	6.0000	30.6275
1999	H	13.0000	2.0000	0.8500	15.8500	1.3922	5.6300	6.0000	13.0222
1999	NH	13.0000	2.0000	0.8500	15.8500	19.3922	5.6300	6.0000	31.0222
2000	H	12.2500	2.0000	0.8500	15.1000	1.3936	6.6300	6.0000	14.0236
2000	NH	12.2500	2.0000	0.8500	15.1000	19.3936	6.6300	6.0000	32.0236
2001	H	12.1500	1.9858	0.7500	14.8858	1.3816	6.6300	6.0000	14.0116
2001	NH	12.1500	1.9858	0.7500	14.8858	19.3816	6.6000	6.0000	31.9816
2002	H	10.1500	1.9858	0.7500	12.8858	1.3774	6.6300	6.0000	14.0074
2002	NH	10.1500	1.9858	0.7500	12.8858	19.3774	6.6300	6.0000	32.0074
2003	H	9.8500	1.9852	0.5500	12.3852	1.3665	6.6300	6.0000	13.9965
2003	NH	9.8500	1.9852	0.5500	12.3852	19.3665	6.6300	6.0000	31.9965
2004	H	10.8354	-	0.5500	11.3854	1.3710	6.6300	5.0000	13.0010
2004	NH	10.8354	-	0.5500	11.3854	19.3710	6.6300	5.0000	31.0010
2005	H	10.8854	-	0.5000	11.3854	1.4000	6.6300	6.0000	14.0300
2005	NH	10.8854	-	0.5000	11.3854	19.4000	6.6300	6.0000	32.0300
2006	H	10.8854	-	0.5000	11.3854	1.4000	6.6300	6.0000	14.0300
2006	NH	10.8854	-	0.5000	11.3854	19.4000	6.6300	6.0000	32.0300

Fiscal Year Ended June 30*		COUNTY	INTERMEDIATE SCHOOL DISTRICT				GRAND TOTAL
		Ottawa County	Intermediate School	Special Education	Vocational Education	Total	
1997 ²	H	4.7165	0.1108	2.2770	1.0852	3.4730	34.6695
1997	NH	4.7165	0.1108	2.2770	1.0852	3.4730	52.6695
1998	H	4.6985	0.1106	2.2727	1.0831	3.4664	34.6424
1998	NH	4.6985	0.1106	2.2727	1.0831	3.4664	52.6424
1999	H	4.4804	0.1104	2.2677	1.0807	3.4588	36.8114
1999	NH	4.4804	0.1104	2.2677	1.0807	3.4588	54.8114
2000	H	4.3812	0.1096	3.1523	1.0734	4.3353	37.8401
2000	NH	4.3812	0.1096	3.1523	1.0734	4.3353	55.8401
2001	H	4.3760	0.1087	3.1265	1.0647	4.2999	37.5733
2001	NH	4.3760	0.1087	3.1265	1.0647	4.2999	55.5433
2002	H	4.2722	0.1087	3.1265	1.0502	4.2854	35.4508
2002	NH	4.2722	0.1087	3.1265	1.0502	4.2854	53.4508
2003	H	4.1672	0.1078	3.1040	1.0570	4.2688	34.8177
2003	NH	4.1672	0.1078	3.1040	1.0570	4.2688	52.8177
2004	H	4.1611	0.1068	3.0762	1.0475	4.2305	32.7780
2004	NH	4.1611	0.1068	3.0762	1.0475	4.2305	50.7780
2005	H	4.2593	0.1065	3.0680	1.0447	4.2192	33.8939
2005	NH	4.2593	0.1065	3.0680	1.0447	4.2192	51.8939
2006	H	4.2579	0.1062	3.0620	1.0427	4.2109	33.8842
2006	NH	4.2579	0.1062	3.0620	1.0427	4.2109	51.8842

Source: City of Zeeland

¹ Fiscal year for Ottawa County begins January 1

² H = Homestead Properties
 NH = Non-Homestead Properties

The City's millage rate is currently limited to 15 mills for operations.
 The maximum allowable millage rate after Headlee Rollback Reduction is 14.0390.

City of Zeeland, Michigan
PROFILE OF TEN LARGEST PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Table 9

<u>Taxpayer</u>	<u>Principal Product or Type of Business</u>	<u>2006</u>			<u>1997</u>		
		<u>Taxable Valuation</u>	<u>Rank</u>	<u>% of Total Taxable Valuation</u>	<u>Taxable Valuation</u>	<u>Rank</u>	<u>% of Total Taxable Valuation</u>
Mirant Zeeland L.L.C.	Power Generation	\$ 152,966,800	1	29.13 %	\$ -	-	-
Gentex Corporation	Automatic Dimming Mirrors	66,920,997	2	12.74 %	6,463,100	6	2.55 %
Mead Johnson	Infant Formula	56,444,741	3	10.75 %	60,545,000	1	23.89 %
Herman Miller, Inc.	Institutional Furniture	21,300,000	4	4.06 %	19,971,100	2	7.88 %
ITW Drawform	Stamping Operations	11,176,400	5	2.13 %	7,648,700	5	3.02 %
Innotec Corp	Automotive Parts	8,811,112	6	1.68 %	-	-	-
ODL Inc	Door Lights & Skylights	7,563,000	7	1.44 %	3,337,700	9	1.32 %
Howard Miller Clock	Grandfather & Wall Clocks	5,896,402	8	1.12 %	5,910,900	7	2.33 %
Plascore, Inc	Structural Honeycomb Products	5,210,744	9	0.99 %	-	-	-
Woodward FST	Jet Fuel Nozzles	4,930,840	10	0.94 %	3,231,600	10	1.28 %
Zeeland Chemical	Chemicals	-	-	-	8,157,700	3	3.22 %
John Thomas Batts, Inc.	Garment Hangers	-	-	-	7,665,200	4	3.02 %
Sealed Power	Automotive Parts	-	-	-	5,280,600	8	2.08 %
Ten Largest Taxpayers		341,221,036		64.98 %	128,211,600		50.59 %
Other Taxpayers		183,930,641		35.02 %	125,197,941		49.41 %
Total Taxable Value		<u>\$ 525,151,677</u>		<u>100.00 %</u>	<u>\$ 253,409,541</u>		<u>100.00 %</u>

Source: City of Zeeland

Note: Includes ad valorem taxable value and the value of IFT's granted under Act 198.
An Act 198 abatement entitles a facility to a reduced tax for a period up to 12 years.

City of Zeeland, Michigan
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Table 10

Tax Year	Fiscal Year Ended June 30	Tax Levy	Collections to June 30	Percent Collected	Delinquent Tax Collections	Percent of Total Tax Collections Total Levy
1996	1997	\$ 2,505,218	\$ 2,501,630	99.86%	\$ 19,876	100.65%
1997	1998	2,730,310	2,727,180	99.89%	20,530	100.64%
1998	1999	3,319,686	3,318,273	99.96%	98,265	102.92%
1999	2000	3,743,299	3,740,348	99.92%	34,570	100.84%
2000	2001	3,576,921	3,569,044	99.78%	89,965	102.29%
2001	2002	3,734,589	3,715,258	99.48%	45,887	100.71%
2002	2003	4,228,641	4,159,407	98.36%	(35,626)	97.52%
2003	2004	4,184,440	4,163,708	99.50%	249,200	105.46%
2004	2005	4,258,538	4,257,954	99.99%	37,446	100.87%
2005	2006	4,347,684	4,311,251	99.16%	76,457	100.92%

Source: City of Zeeland

Note: Negative Collections result from Tax Tribunal Refunds

City of Zeeland, Michigan
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Year Ended Ended June 30	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	Michigan Transportation Bonds	Special Assessment Bonds	Electric System Bonds	Water System Bonds	Clean Water System Bonds
1997	\$ 2,660,000	\$ 350,000	\$ 65,000	\$ 7,870,000	\$ 7,200,000	\$ 2,810,000
1998	2,515,000	325,000	-	7,475,000	6,990,000	4,180,000
1999	3,750,000	300,000	-	8,620,000	6,770,000	4,000,000
2000	3,575,000	275,000	-	8,150,000	6,535,000	3,655,000
2001	3,385,000	245,000	-	7,645,000	10,585,000	3,305,000
2002	3,240,000	215,000	-	7,115,000	10,225,000	2,935,000
2003	3,085,000	185,000	-	6,555,000	9,880,000	-
2004	2,995,000	150,000	-	5,965,000	9,415,000	-
2005	2,800,000	115,000	-	5,305,000	8,935,000	-
2006	4,695,000	80,000	-	4,935,000	8,490,000	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See the Demographic Statistics at Table 18 for personal income and population data

² See the Operating Indicators by Function at Table 21 for number of utility customers

Table 11

<u>Total Primary Government</u>	<u>Governmental Activities Net Bonded Debt Per Capita¹</u>	<u>Governmental Activities Percentage of Personal Income¹</u>	<u>Business-Type Activities Net Bonded Debt Per Customer²</u>
\$ 20,955,000	\$ 563	2.23%	\$ 2,112
21,485,000	520	1.97%	2,203
23,440,000	742	2.74%	2,153
22,190,000	663	2.38%	1,937
25,165,000	625	2.25%	2,210
23,730,000	595	2.14%	2,012
19,705,000	563	1.97%	2,082
18,525,000	542	N/A	1,887
17,155,000	502	N/A	1,702
18,200,000	823	N/A	1,576

City of Zeeland, Michigan
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Table 12

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service	Total	Percentage of Estimated Actual Taxable Value¹ of Property	Per Capita²
1997	\$ 2,660,000	\$ 85,332	\$ 2,574,668	0.48%	\$ 475
1998	2,515,000	78,203	2,436,797	0.43%	450
1999	3,750,000	43,387	3,706,613	0.59%	684
2000	3,575,000	76,114	3,498,886	0.53%	603
2001	3,385,000	75,671	3,309,329	0.43%	570
2002	3,240,000	106,950	3,133,050	0.34%	540
2003	3,085,000	90,128	2,994,872	0.28%	516
2004	2,995,000	102,364	2,892,636	0.26%	498
2005	2,800,000	104,364	2,695,636	0.25%	464
2006	4,695,000	104,453	4,590,547	0.42%	791

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedules of State Equalized Value and Estimated Actual Value of Taxable Property in Tables 6 & 7 for property value data.

² Population data can be found in the Demographic Statistics in Table 18.

City of Zeeland, Michigan
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2006

Table 13

Jurisdiction	Bonds Outstanding	Percentage Applicable to City	City's Share of Debt
DIRECT DEBT: City of Zeeland			
General obligation bonds	\$ 4,695,000	100.00%	\$ 4,695,000
Michigan transportation bonds	80,000	100.00%	<u>80,000</u>
Total Direct Debt			<u>4,775,000</u>
OVERLAPPING DEBT:			
Ottawa County	\$ 23,230,000	2.81%	652,763
Ottawa Intermediate School District	7,485,000	2.47%	184,880
Zeeland Public School District	101,090,000	23.75%	<u>24,008,875</u>
Total Overlapping Debt			<u>24,846,518</u>
Total Direct and Overlapping Debt			<u>\$ 29,621,518</u>

Sources: Direct Debt provided by the City of Zeeland; Overlapping Debt provided by the Municipal Advisory Council of Michigan

City of Zeeland, Michigan
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	Fiscal			
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Debt Limit	\$ 26,904,810	\$ 28,592,375	\$ 31,366,360	\$ 33,098,420
Net General Obligation Debt Subject to Limitation	<u>3,485,348</u>	<u>3,769,037</u>	<u>3,707,938</u>	<u>3,502,776</u>
Legal Debt Margin	<u>23,419,462</u>	<u>24,823,338</u>	<u>27,658,422</u>	<u>29,595,644</u>
 Total net debt applicable to the limit as a percentage of the debt limit	 12.95%	 13.18%	 11.82%	 10.58%

Legal Debt Margin Calculation for Fiscal Year 2006

State Equalized Valuation	\$ 552,095,400
Debt Limit - 10% of State Equalized Value	\$ 55,209,540
Debt Outstanding	\$ 18,200,000
Less: Exempt Debt	(13,425,000)
Less: Amount set aside for repayment of General Obligation Debt	<u>(104,453)</u>
Net General Obligation Debt Subject to Limitation	<u>4,670,547</u>
Legal Debt Margin	<u>\$ 50,538,993</u>

Note: State law limits the amount of city general obligation debt to 10% of state equalized value.
State Equalized Valuation of property granted tax abatement under Act 198 is included.

Year					Table 14
2001	2002	2003	2004	2005	2006
\$ 38,120,010	\$ 46,686,850	\$ 53,123,060	\$ 54,889,950	\$ 54,931,710	\$ 55,209,540
3,309,329	3,133,050	2,994,072	2,895,189	2,688,192	4,670,547
<u>34,810,681</u>	<u>43,553,800</u>	<u>50,128,988</u>	<u>51,994,761</u>	<u>52,243,518</u>	<u>50,538,993</u>
8.68%	6.71%	5.64%	5.27%	4.89%	8.46%

City of Zeeland
PLEDGED REVENUE COVERAGE - ELECTRIC UTILITY
Last Ten Fiscal Years

Table 15

Year Ended Ended June 30	Electric Utility Gross Revenue ¹	Less: Operating Expenses ²	Net Available Revenue	Debt Service ³		Coverage
				Principal	Interest	
1997	\$ 12,655,733	\$ 10,039,626	\$ 2,616,107	\$ 370,000	\$ 419,474	3.31
1998	13,416,346	10,389,527	3,026,819	395,000	399,756	3.81
1999	14,235,358	11,000,287	3,235,071	425,000	375,985	4.04
2000	14,406,969	9,825,028	4,581,941	470,000	373,681	5.43
2001	15,108,735	11,103,177	4,005,558	505,000	351,089	4.68
2002	15,772,181	11,524,227	4,247,954	530,000	330,089	4.94
2003	16,328,342	12,235,926	4,092,416	560,000	308,559	4.71
2004	16,206,496	12,374,279	3,832,217	665,000	176,192	4.56
2005	17,965,115	14,276,920	3,688,195	660,000	181,392	4.38
2006	20,672,638	15,976,548	4,696,090	370,000	167,647	8.73

¹ Total revenues include operating revenues, interest, other nonoperating revenues, and capital contributions.

² Total expenses include operating expenses and operating transfers, exclusive of depreciation and interest.

³ Includes principal, interest, and paying agent fees.

City of Zeeland
PLEDGED REVENUE COVERAGE - WATER UTILITY
Last Ten Fiscal Years

Table 16

Year Ended Ended June 30	WaterUtility Gross Revenue ¹	Less: Operating Expenses ²	Net Available Revenue	Debt Service ³		Coverage
				Principal	Interest	
1997	\$ 2,245,990	\$ 1,033,883	\$ 1,212,107	\$ 165,000	\$ 382,844	2.21
1998	2,340,650	1,153,414	1,187,236	210,000	372,415	2.04
1999	2,264,854	1,345,720	919,134	220,000	360,739	1.58
2000	2,394,355	1,509,948	884,407	235,000	348,250	1.52
2001	2,655,265	1,574,846	1,080,419	250,000	321,013	1.89
2002	3,034,104	1,352,201	1,681,903	360,000	566,898	1.81
2003	3,225,744	1,513,949	1,711,795	420,000	502,448	1.86
2004	3,074,877	1,583,390	1,491,487	465,000	467,643	1.60
2005	3,369,382	1,577,604	1,791,778	480,000	445,905	1.94
2006	3,533,748	1,634,120	1,899,628	555,000	342,775	2.12

¹ Total revenues include operating revenues, interest, other nonoperating revenues, and capital contributions.

² Total expenses include operating expenses and operating transfers, exclusive of depreciation and interest.

³ Includes principal, interest, and paying agent fees.

City of Zeeland
PLEDGED REVENUE COVERAGE - CLEAN WATER UTILITY
 Last Ten Fiscal Years

Table 17

Year Ended Ended June 30	Sewer Utility Gross Revenue ¹	Less: Operating Expenses ²	Net Available Revenue	Debt Service ³		Coverage
				Principal	Interest	
1997	\$ 1,355,674	\$ 635,421	\$ 720,253	\$ 95,000	\$ 94,922	3.79
1998	1,484,712	639,118	845,594	100,000	91,186	4.42
1999	1,662,573	725,010	937,563	150,000	183,850	2.81
2000	1,483,392	666,804	816,588	345,000	175,068	1.57
2001	1,918,836	658,452	1,260,384	350,000	159,588	2.47
2002	2,185,903	699,486	1,486,417	370,000	143,114	2.90
2003	1,663,463	742,015	921,448	395,000	117,196	1.80
2004	1,470,789	866,930	603,859	-	-	N/A
2005	1,825,416	834,523	990,893	-	-	N/A
2006	1,787,978	933,808	854,170	-	-	N/A

¹ Total revenues include operating revenues, interest, other nonoperating revenues, and capital contributions.

² Total expenses include operating expenses and operating transfers, exclusive of depreciation and interest.

³ Includes principal, interest, and paying agent fees.

City of Zeeland, Michigan
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

Table 18

Year	Population¹	Personal Income²	Per Capita Personal Income²	Unemployment Rate³
1997	5,417	\$ 137,905,986	\$ 25,458	2.6%
1998	5,417	144,243,876	26,628	2.4%
1999	5,417	147,770,343	27,279	2.4%
2000	5,805	161,849,205	27,881	2.7%
2001	5,805	161,199,045	27,769	4.1%
2002	5,805	161,553,150	27,830	5.4%
2003	5,805	165,848,850	28,570	5.9%
2004	5,805	N/A	N/A	5.5%
2005	5,805	N/A	N/A	5.0%
2006	5,805	N/A	N/A	N/A

¹ Source: U.S. Census Bureau

² Michigan Department of Labor, Holland-Grand Haven Metropolitan Statistical Area

³ U.S. Department of Labor, Holland-Grand Haven Metropolitan Statistical Area

City of Zeeland, Michigan
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Table 19

<u>Employer</u>	<u>Principal Product/Service</u>	<u>2006</u>		<u>1997</u>	
		<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Gentex Corporation	Automotive and Glass Parts	2,370	1	1,345	2
Herman Miller, Inc.	Institutional Furniture	2,500	2	2,450	1
Zeeland Public Schools	Elementary/Secondary Education	675	3	515	4
ODL Inc	Door Lights and Skylights	467	4	311	6
Howard Miller Clock Co.	Grandfather and Wall Clocks	505	5	521	3
Mead Johnson	Infant Formula	330	6	-	-
ITW Drawform	Stamping Operations	270	7	264	8
Plascore	Structural Honeycomb Products	255	8	200	9
Woodward FST	Airline/Aerospace Fuel Systems	240	9	274	7
Haven Park Christian Nursing Home	Senior Health Care	210	10	-	-
John Thomas Batts, Inc.	Garment Hangers	-	-	500	5

Source: City of Zeeland

Total City employment is not available, only the total County or total Metropolitan Statistical Area employment. The data-base is too broad to be meaningful. Consequently it is not included herein.

City of Zeeland, Michigan
FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Current Year

Table 20

Function	<u>2006</u>
General Government	
Administration	1.50
Clerk	2.50
Finance/Treasury	3.75
Assessing	2.50
Cemetery	3.00
Custodial	2.50
Public Safety	
Police	11.75
Fire	1.50
EMS/Rescue	1.00
Building and zoning	2.00
Recreation and Culture	
Library	8.00
Community Center	1.50
Parks	1.50
Public Works	
Streets and Motor Pool	6.50
Electric Utility	22.00
Water Utility	2.50
Clean Water Utility	<u>5.75</u>
Total	<u>79.75</u>

Source: City of Zeeland

Full-time equivalents for prior years are not available

City of Zeeland, Michigan
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	1997	1998	1999	2000	2001	2002
General government						
Area - square miles	3	3	3	3	3	3
Population	5,417	5,417	5,417	5,805	5,805	5,805
Number of registered voters	3,996	3,934	3,909	3,905	4,054	3,705
Number of tax bills	N/A	N/A	N/A	N/A	N/A	N/A
Public safety						
Police						
Number of incidents	3,002	2,277	3,086	3,290	2,687	3,326
Physical arrests	810	889	1,022	1,084	779	737
Traffic violations	2,093	1,945	903	1,448	785	831
Fire						
Number of incidents	120	125	126	116	133	142
Mutual aid agreements ¹	2	2	2	2	2	2
EMS/Rescue						
Number of incidents	291	334	351	395	376	466
Building and zoning						
Number of construction permits	263	293	295	268	318	270
Value of permits	\$ 9,701,569	\$ 9,055,202	\$ 19,978,873	\$ 13,481,821	\$ 12,331,486	\$ 5,780,583
Streets and highways						
Miles reconstructed	0.60	2.10	0.20	1.40	1.20	1.30
Miles resurfaced	-	-	1.50	0.40	0.60	2.10
Recreation and culture						
Library circulation	162,584	156,043	165,432	173,483	182,279	183,675
Patron visits	143,150	152,009	155,017	N/A	158,101	164,211
Community center attendance	N/A	N/A	N/A	N/A	N/A	N/A
Public works						
Parking lots	6	6	6	6	6	6
Cemetery - acres	15	15	15	15	15	15
Electric Utility						
Connections - residential	3,343	3,552	3,821	4,030	4,210	4,455
Connections - commercial/industrial	475	493	512	520	545	565
M.W.H. generated and purchased	232,233,055	249,636	263,916	259,700	267,809	269,928
M.W.H. sold	220,655,499	235,329	249,708	245,735	252,392	253,253
Revenues from sales	\$ 12,333,448	\$ 13,051,980	\$ 13,840,413	\$ 13,872,074	\$ 14,283,965	\$ 15,145,992
Water Utility						
Connections - residential	1,662	1,901	2,026	2,105	2,135	2,161
Connections - commercial/industrial	244	265	264	344	351	362
Pumped - million gallons	1,553	1,389	1,280	1,296	1,233	1,225
Sold - million gallons	1,427	1,261	1,256	1,213	1,175	1,149
Revenues from sales	\$ 2,156,898	\$ 2,199,382	\$ 2,147,564	\$ 2,271,029	\$ 2,322,452	\$ 2,319,745
Clean Water Utility						
Connections - residential	1864 ²	2134 ²	2262 ²	2,116	2,164	2,157
Connections - commercial/industrial	-	-	-	283	303	295
Average daily sewage treatment	1.27	1.13	1.15	1.34	1.32	1.30
Treated effluent - million gallons	453	434	406	445	491	417
Residuals - million gallons	1.25	1.87	1.30	1.33	2.29	1.18
Revenues from sales	\$ 1,228,391	\$ 1,330,171	\$ 1,372,392	\$ 1,270,551	\$ 1,479,873	\$ 1,425,537

Source: City of Zeeland

¹ Mutual Aid Agreements are formalized for Ottawa County and Allegan County. In total, the two agreements extend to 41 separate municipalities.

² Connection include residential/commercial/industrial

Table 21

2003	2004	2005	2006
3	3	3	3
5,805	5,805	5,805	5,805
3,689	3,875	3,896	3,896
6,062	6,052	6,092	6,146
3,460	3,002	2,837	N/A
895	631	556	N/A
533	807	824	N/A
156	134	110	N/A
2	2	2	2
435	490	475	N/A
222	215	206	209
\$ 14,345,093	\$ 4,255,569	\$ 47,201,031	\$ 40,099,884
0.50	1.10	0.90	0.90
0.70	0.60	1.20	1.10
189,073	207,287	239,832	N/A
183,438	194,626	198,347	N/A
N/A	N/A	N/A	15,360
6	6	6	6
15	15	17	17
4,600	4,810	4,920	5,030
645	660	710	730
282,222	291,528	307,608	323,825
262,744	273,386	286,370	304,808
\$ 15,823,610	\$ 15,868,080	\$ 17,093,517	\$ 20,104,349
2,165	2,190	2,232	2,252
367	370	386	388
1,401	1,224	1,367	1,386
1,370	1,207	1,299	1,361
\$ 3,006,226	\$ 2,903,300	\$ 3,128,092	\$ 3,245,258
2,182	2,230	2,201	2,263
332	329	330	344
1.16	1.17	1.17	1.21
421	427	429	432
1.45	1.28	1.32	1.13
\$ 1,409,342	\$ 1,403,136	\$ 1,548,347	\$ 1,590,235

City of Zeeland, Michigan
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002
Function						
Public Safety						
Police						
Number of stations	1	1	1	1	1	1
Number of patrol vehicles	5	5	5	5	5	5
Fire						
Number of stations	2	2	2	2	2	2
Number of fire fighting apparatus	5	5	5	5	5	5
Number of K9 teams	-	-	-	-	-	-
Emergency Medical/Rescue						
Number of rescue vehicles	2	2	2	2	2	2
Recreation and Culture						
Library	1	1	1	1	1	1
Community centers	2	2	2	2	2	2
Number of parks	8	8	8	8	8	8
Number of acres in parks	30.2	30.2	30.2	30.2	30.2	30.2
Park pavillions	6	6	6	6	6	6
Playgrounds	4	4	4	4	4	4
Tennis courts	3	3	3	3	3	3
Bike trails - miles	N/A	N/A	N/A	N/A	N/A	N/A
Streets						
Miles of major streets	10.87	10.87	10.87	10.87	10.87	10.87
Miles of local streets	19.49	19.49	19.49	19.49	19.49	19.49
Miles of sidewalks	N/A	N/A	N/A	N/A	N/A	N/A
Traffic signals	7	6	6	6	6	6
Street lights	108	119	119	120	118	118
Street garage buildings leased or owned	3	3	3	3	3	3
Storm sewers - miles	14	14	14	14	14	14
Parking Lots						
Owned - square feet	166,700	166,700	166,700	166,700	166,700	166,700
Leased - square feet	71,500	71,500	71,500	71,500	71,500	71,500
Electric Utility						
Number of distribution stations	4	4	4	4	4	5
Miles of service lines:						
Overhead	43	46	48	48	48	47
Underground	30	32	43	47	55	58
Water Utility						
Number of storage tanks	4	4	4	4	4	5
Miles of distribution mains	44	44	46	46	47	47
Number of fire hydrants	N/A	N/A	N/A	N/A	N/A	N/A
Clean Water Utility						
Miles of sanitary sewer	31	31	31	31	31	31
Major lift stations	7	7	7	7	7	7

Source: City of Zeeland

Table 22

2003	2004	2005	2006
1	1	1	1
5	5	5	5
2	2	2	2
5	5	5	5
1	1	1	1
2	2	2	2
1	1	1	1
2	2	2	2
8	8	8	8
30.2	30.2	30.5	30.5
6	6	6	6
4	4	4	4
3	3	3	3
N/A	N/A	6	6
10.67	10.87	10.87	11.17
19.59	19.29	19.49	19.49
N/A	N/A	N/A	23.84
6	6	6	6
118	118	120	120
3	3	3	3
14	15.5	15.5	15.5
166,700	166,700	166,700	166,700
71,500	71,500	71,500	71,500
5	5	5	5
46	48	45	44
63	66	69	77
5	5	5	5
47	47	48	49
N/A	N/A	531	540
31	37	37	37
7	7	7	7